



Australian Government  
Department of Social Services

# New Disability Employment Services from 2018

## DISCUSSION PAPER





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# New Disability Employment Services from 2018

## Ministers' Foreword

The Australian Government is committed to improving employment outcomes for people with disability and getting more people with disability into jobs.

The Disability Employment Services (DES) program plays an important role in improving the social and economic participation of people with disability in Australia.

There is now an opportunity to improve its performance by reforming DES so more people with disability can enjoy the benefits that work brings.

In early 2015, the Government established the Disability Employment Taskforce to undertake consultations with people with disability, their carers and families, disability advocates, DES providers, disability peak bodies and employers of people with disability to identify areas for reform. These areas include:

- improving participant choice and control over the services they receive;
- generating greater competition between providers;
- developing better incentives for providers to service all participants equally; and
- engaging employers to hire more people with disability.

This Discussion Paper builds on these findings with specific options aimed at improving employment outcomes for people with disability.

The Government invests around \$800 million a year in the DES program and is seeking feedback on the proposals in this Discussion Paper to inform the new model that will begin in March 2018.

We would like to thank everyone who has participated in the consultations on a new disability employment framework to date, and invite you to continue working with us to improve DES first and foremost for people with disability, their families and carers, but also for DES providers and employers, to deliver improved social and economic benefits for Australia.

The Hon Christian Porter MP  
Minister for Social Services

The Hon Jane Prentice MP  
Assistant Minister for Social Services and  
Disability Services

November 2016

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## Executive Summary

- Disability Employment Services (DES) plays an important role in improving the social and economic participation of people with disability in Australia.
- DES supports people whose main impediment to gaining employment is assessed as being their disability, injury or health condition find and keep work.
- DES is funded by the Australian Government at a cost of \$800 million per year. Currently there are more than 180,000 people with disabilities registered to receive support through DES.
- Since it began in its current form in 2010, DES has achieved more than 300,000 job placements and more than 170,000 employment outcomes of at least 6 months.
- While commencements in DES over the last four years have been around 93,000 per year, the performance of DES has been declining in recent years, although there has been a slight rise in DES performance in 2016 to date, following some improvements in the general unemployment rate.
- Overall employment outcomes will always be affected by the state of the economy. Employment support services work within this context to connect job seekers with available employment, including by providing training and reskilling job seekers where this can assist. In the case of DES, this also means addressing barriers to employment that arise from disability, including providing rehabilitation, funding workplace modifications, working with employers to increase their understanding and openness to hiring people with disability, and providing continuing support, where necessary, even once a person is employed.
- A key question is to what extent changes to DES might improve employment outcomes for people with disability which are also significantly dependent on external factors. To answer this it is useful to consider the spread of performance within the program. DES providers are rated for their relative performance in getting employment outcomes after adjusting for the characteristics of the people they support and the local labour markets in which they work.
- The best performers are rated '5 stars' for being considerably above average in achieving outcomes. If all providers operated at the level of current 5 star providers, then the program would achieve a third more employment outcomes than it currently does. The proposed changes to the program outlined in this discussion paper are intended to create the circumstances in which more DES providers operate at the level of current 5 star performers to improve employment for people with disability.
- With this goal in mind, in 2015 the Australian Government established the Disability Employment Taskforce (the Taskforce) within the Department of Social Services, to consult with the disability community on the strengths and weaknesses of the current approach to disability employment.

- Based on the general principles identified by the Taskforce, the five primary areas for improving DES are:
  - Increasing participant choice and control in the services they need;
  - Driving greater competition and contestability in DES;
  - Aligning incentives to support better outcomes;
  - Improving the gateway and assessment process for DES participants; and
  - Assistance in the workplace.
  
- Feedback from these consultations is informing the following options to improve DES with a view to generating better employment outcomes for people with disability:
  - Improving DES providers' focus on DES participants by making it easier for participants to choose and change providers, with funding that follows the participant if they change providers, and by removing current management of referrals that underpin market share for providers.
  - Increasing opportunities for successful providers to expand service provision to more DES participants by making it easier for new providers to enter the market and for existing providers to expand into new regions.
  - Removing market share arrangements that prevent good providers from growing and prop up failing providers with guaranteed work.
  - Introducing a new funding model with risk-adjusted outcome payments based on the likelihood of a DES participant achieving an employment outcome.
  - Simplifying regulatory arrangements for providers by introducing a single contract for each provider.
  - Reducing the number of Employment Service Areas (ESAs) so each covers a larger area and eliminating restrictions on participants so they can choose to attend a provider outside their area.
  - Improving incentives to assist job seekers into long-term work through new 52-week outcome payments.
  - Reviewing the current gateway and assessment process so people with disability are being allocated to the right service at the right funding level.
  - Creating better links between education and work, including allowing more students with disability to access DES as they leave school.
  - Reforming DES assistance in the workplace for people with disability through better targeting and improved efficiency.
  
- Beyond improvement to DES as a program, further measures are being considered to support and encourage employers to hire people with disability, including more targeted communication, education and awareness activities and trialling employer nominated disability employment initiatives.
  
- Transitional arrangements will be announced once a new model of DES is finalised.
  
- More detailed descriptions of the proposed changes to DES and initiatives to improve employer engagement and their rationale are outlined further in the Discussion Paper.



## Chapter 1: Introduction

The Australian Government is committed to improving employment opportunities and outcomes for people with disability. Employment can provide financial independence, a better standard of living and improved physical and mental health. Too many people with disability do not get to enjoy the social, emotional and financial benefits that work brings.

Despite significant investment by the Government in employment services, the labour force participation rates for people with disability have remained stagnant for the past 20 years and are currently around 53 per cent, compared to more than 83 per cent for people without disability. Australia's ageing population, combined with the need for a more highly skilled workforce and ongoing structural changes across the economy means it is important that people with disability are equipped to participate effectively.

In recognition of the need to address the number and complexity of the issues affecting employment outcomes for people with disability, combined with the opportunity to reform Disability Employment Services (DES) when the contracts with providers expire in March 2018, the Government established a Disability Employment Taskforce (the Taskforce) in April 2015. The Taskforce examined the limitations of the current approach to disability employment support, with a particular focus on DES, and identified specific issues that could be addressed in a new disability employment framework.

The first round of consultations occurred in May and June 2015 and started the conversation on the effectiveness of the current disability employment system. Stakeholders raised a variety of issues with the current system, including:

- a lack of employer awareness and engagement;
- a lack of direct funding between the individual and their needs;
- unintended consequences of the DES outcomes framework; and
- a limited market for the delivery of DES services.

The second round of consultation took place in November and December 2015, which sought feedback on new approaches to delivering disability employment support and outlined a number of broad policy directions, including:

- working more closely with employers to create jobs;
- introducing individualised funding based on job seeker needs and aspirations;
- market-based service provision to create more flexible and innovative services;
- a greater focus on long-term career planning and capacity building; and
- improved service pathways and reduced 'red tape' for clients and service providers.

The Taskforce found broad support for these directions pending further detail and discussion. It was noted that some elements of a new approach would involve significant change for participants, employers and service providers. There was wide acceptance of a need to put people with disability at the centre of changes; however, there were concerns about the capacity of participants and providers to immediately adjust to a consumer-directed service delivery in a competitive market.

## Considerations in improving DES

This Discussion Paper outlines changes being considered to address issues raised during the Taskforce consultations. These changes aim to build on the strengths of the current system while maintaining stability for participants, employers and providers. Further work has been undertaken to examine the evidence for different approaches, including international and domestic models of service delivery, and to assess the impact of various approaches to employment services when applied to the Australian setting. Based on the general principles identified by the Taskforce, the five primary areas for improving DES, applicable to both DES-Disability Management Services (DES-DMS) and DES-Employment Support Services (DES-ESS), are outlined below.

### 1. Increasing participant choice and control in the services they need

While many DES providers are responsive to participants, current arrangements do not require providers to be responsive. Providers receive referrals in proportion to agreed market share; and participants have little information upon which to choose between providers, resulting in little risk to providers for failing to address participants' expectations.

While the services are supposed to be tailored to the needs of the individual, stakeholder feedback and DES performance suggest that this is not necessarily the case for all providers. At a minimum, it should be easier for participants to choose which provider they go to, and to change providers when they are unsatisfied, with funding following the participant, so providers have incentives to focus more on attracting and retaining participants, meeting their needs and finding them employment. Increased choice and control should create a sharper focus on participant views in provider and participant discussions on the content of agreed job plans.

Additional options being considered include more flexibility in how participants meet with their providers, improving the information available to participants about providers to assist their choice of provider, and establishing a more performance focused Centrelink referral process.

### 2. Driving greater competition and contestability in DES

DES provider success should be contingent on two objectives:

1. attracting and retaining participants; and
2. achieving employment outcomes.

Providers who do both, significantly better than average, should have the ability and opportunity to expand into new markets. Providers who perform poorly at both should be at risk of exiting the DES program. The current contract and procurement structure constrains the entrance of new providers, and the growth of existing providers into additional areas, for the term of the contract. This limits competition between providers; significantly restricts opportunities for growth by successful providers; and allows poorly performing providers to continue to have job seekers referred to them in proportion to agreed market share, unless and until their business is subject to re-allocation. Innovation in DES is currently not rewarded because it does not lead to increased growth and revenue for the innovating organisation.

Options for reform include: relaxing market share; establishing more flexible procurement arrangements (a DES Provider Panel) to allow new providers to enter the DES market

outside of the current contractual cycle and to make it easier for existing providers to expand into new regions; improving choice and flexibility by relaxing regional restrictions on where participants can go; and simplifying the current contracting arrangements to reduce the administrative burden on providers.

### 3. Aligning incentives to support better outcomes

Payments should be proportional to the outcome achieved. A new risk-adjusted funding model is proposed with the aim of establishing an incentive structure that rewards providers for placing job seekers in work in proportion to the relative difficulty of placing that job seeker in a job. This removes financial incentives for providers to focus on those job seekers who are easier to place while putting less effort into more disadvantaged participants who are harder to place in a job. Complementary reforms include the introduction of pro-rated service fees, so funding follows the participant; and introducing 52-week outcome payments to help improve job matching.

### 4. Improving the gateway and assessment process for DES participants

Currently, Centrelink assessments determine who is referred to DES, which particular program they are referred to (DES-DMS or DES-ESS); the level of funding allocated with the participant; and the hours of work they need to achieve for providers to receive an outcome payment (referred to as 'benchmark hours'). Because participant assessments have not been evaluated since being adopted many years ago, there is a need for an independent review of all aspects of assessment for DES, to ensure validity and reliability and to maximise efficiency in the assessment process. Providers and participants have expressed concern about Employment Service Assessments (ESAt), including referrals to inappropriate services, and that assessed benchmark hours do not accurately reflect a person's work capacity. Some DES participants will also be in the NDIS, and the review needs to address how best to dovetail eligibility and support across both programs. The review will also need to consider that participant assessments are also relied on by other employment services, such as jobactive and also in determining eligibility for the Disability Support Pension (DSP).

### 5. Assistance in the workplace

Some people with disability need continuing support in the workplace while they are in a job. Currently, DES help people with disability in the workplace through Ongoing Support and Job-in-Jeopardy assistance, but there is a need to improve the effectiveness of both programs so people with disability who need support to stay in a job, get the required support.

## Engaging Employers

DES focuses on assisting people with disability to become job ready and on providers engaging with local employers. International evidence suggests some of the more successful countries, with higher rates of employment of people with disability, actively engage employers and provide them with strong incentives to employ people with disability. The Organisation for Economic Co-operation and Development (OECD) recommends activating employers to improve disability employment rates by strengthening the role they play in creating a diverse workplace.

Further, an analysis by the Melbourne Institute of Applied Economic and Social Research on the success of the 2006 'welfare to work' policies in Australia found that people with disability face barriers to employment that measures which solely focus on the job seeker are unlikely to overcome. In particular, they found a need to address the incentives of employers and potential employers of people with disability to improve overall outcomes for people with disability.<sup>1</sup>

The Taskforce found strong support for greater engagement with employers to increase demand for employing people with disability. Unless there is sufficient demand for workers with (and without) disability, improvements in services and the job readiness of people with disability can yield only marginal improvements in employment outcomes. To go beyond this, we must engage with and support employers to increase their willingness to employ people with disability and to ensure there are more employers who are prepared to hire people with disability.

## Measuring success

DES achieves modest outcomes that have been declining in recent years. Around 31 per cent of participants are in employment three months after completing a period of assistance in DES. This figure is down from a high of 38 per cent in 2013 and the current equivalent figures for jobactive of around 40 per cent. A goal of the changes to DES being considered is to increase performance in terms of the proportion of participants who are in employment after a period of assistance. In order to assess the impact of the reforms, it is proposed that interim and final evaluations take place after the reforms have been in effect for two and a half and five years respectively.

## International Approaches to Disability Employment

In re-shaping supports for people with disability to gain employment, we should look to learn from approaches to disability employment in other countries. The different economic, social and cultural contexts in other countries may mean that it is not sensible to seek to adopt wholesale, the arrangements of countries that perform better in employing people with disability. However, we can still seek to understand what aspects of other countries' approaches can inform the development of new approaches in an Australian context.

## What is out of scope?

Some matters are beyond the scope of this Discussion Paper. This is because the focus is on DES and possible changes to improve DES. While DES may interact with other government programs that deliver disability support and employment services, for example the NDIS and jobactive, this paper does not consider those programs. This Discussion Paper does not address:

- changes to the NDIS and ADEs;
- jobactive, Transition to Work and the Community Development Programme;
- any changes to the existing DES Performance Framework;
- changes to the National Panel of Assessors policy;

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<sup>1</sup> Barbara Broadway and Duncan McVicar. Reducing the Generosity and Increasing the Conditionality of Disability Benefits: Turning the Supertanker or Squeezing the Balloon? *Melbourne Institute Working Paper Series*, Working Paper No. 11/15, June 2015.

- changes to mutual obligation requirements for DES participants; and
- wage subsidies, JobAccess and the Employment Assistance Fund (EAF).

## Streamlining Administrative Requirements

The design of the new model is intended to balance accountability with a focus on delivering outcomes for job seekers. Administrative processes will be fit for purpose and proportionate. Throughout this Discussion Paper, where a proposal may have regulatory impact, this impact is specifically identified as either increasing or decreasing the administrative burden on the sector when compared to the present situation.

To illustrate, there is an opportunity to reduce the administrative requirements on providers and simplify servicing arrangements for participants through rationalisation of the two programs into one program under the *Disability Services Act 1986* (the Act). Presently, organisations seeking to deliver both DES programs are required to tender for each service separately and therefore have separate contracts for each service type to fulfil legislative requirements under Part II and Part III of the Act. It is proposed that providers delivering DES do so under a single contract covering both current DES-DMS and DES-ESS service delivery.

## Key proposed changes to current model

Current model	Changes being considered
<b>Participant choice and control</b>	
<p data-bbox="277 362 635 394" style="text-align: center;"><u>Provider-directed services</u></p> <ul data-bbox="153 430 689 577" style="list-style-type: none"> <li>• Management of referrals limits participants' choice of provider.</li> <li>• Limited participant control in the job planning process.</li> </ul>	<p data-bbox="845 362 1394 394" style="text-align: center;"><u>Increased participant control of services</u></p> <ul data-bbox="791 430 1423 654" style="list-style-type: none"> <li>• Participants to choose their provider and to change their provider if unsatisfied, with funding following the participant.</li> <li>• Participants having more say in their Job Plans and better information to empower participants during service planning.</li> </ul>
<p data-bbox="277 680 635 712" style="text-align: center;"><u>Limited choice of provider</u></p> <ul data-bbox="153 748 750 896" style="list-style-type: none"> <li>• Participants have limited information about providers to inform their choice.</li> <li>• Participants face restrictions on changing providers at will.</li> </ul>	<p data-bbox="925 680 1315 712" style="text-align: center;"><u>Increased choice of provider</u></p> <ul data-bbox="791 748 1445 1010" style="list-style-type: none"> <li>• Relaxed ESA boundaries to improve choice of provider.</li> <li>• Greater information for participants about providers and the services they offer, and others' experiences of providers.</li> <li>• Restrictions on participants changing providers relaxed.</li> </ul>
<b>Competition and contestability</b>	
<p data-bbox="223 1084 692 1115" style="text-align: center;"><u>Heavily regulated provider market</u></p> <ul data-bbox="153 1151 727 1413" style="list-style-type: none"> <li>• Difficult for new providers to enter DES market during the 5 year term of the Deed.</li> <li>• High performing providers restricted in expanding business to new and existing markets during the 5 year term of the Deed.</li> </ul>	<p data-bbox="916 1084 1324 1115" style="text-align: center;"><u>More flexible provider market</u></p> <ul data-bbox="791 1151 1433 1337" style="list-style-type: none"> <li>• DES Provider Panel to make it easier for existing providers to expand and for new providers to enter DES market.</li> <li>• Market share restrictions lifted so successful providers can grow.</li> </ul>
<b>DES funding model</b>	
<p data-bbox="277 1487 635 1518" style="text-align: center;"><u>Unintended consequences</u></p> <ul data-bbox="153 1554 724 1892" style="list-style-type: none"> <li>• Current model encourages providers to focus on easier-to-place job seekers, rather than more difficult to place job seekers.</li> <li>• Current funding model may encourage poor job-matching and focus on short term outcomes.</li> <li>• Funding is not linked to participants through pro-rated fees.</li> </ul>	<p data-bbox="957 1487 1283 1518" style="text-align: center;"><u>Risk-adjusted payments</u></p> <ul data-bbox="791 1554 1430 1892" style="list-style-type: none"> <li>• Risk-adjusted outcome fees should lead to more investment in hard-to-place job seekers.</li> <li>• New outcome payments to encourage better job matching evidenced by longer term outcomes.</li> <li>• Ensuring that funding is linked to individual participants through pro-rating service fees when a participant changes providers.</li> </ul>

<b>Gateway and eligibility to DES</b>	
<p><u><a href="#">Weaknesses with assessment process</a></u></p> <ul style="list-style-type: none"> <li>Concerns around the effectiveness and efficiency of ESATs and Job Capacity Assessments (JCAs).</li> </ul>	<p><u><a href="#">Improved assessment process</a></u></p> <ul style="list-style-type: none"> <li>Current assessment process to be reviewed.</li> </ul>
<b>Assistance in the Workplace</b>	
<p><u><a href="#">Poorly targeted Ongoing Support</a></u></p> <ul style="list-style-type: none"> <li>Incentive structure does not align with needs of Ongoing Support participants.</li> </ul>	<p><u><a href="#">More effective Ongoing Support</a></u></p> <ul style="list-style-type: none"> <li>Introducing fee for service and benchmark hours to better target Ongoing Support.</li> </ul>
<p><u><a href="#">Job-in-Jeopardy</a></u></p> <ul style="list-style-type: none"> <li>Job-in-Jeopardy not performing to expectations.</li> </ul>	<p><u><a href="#">Job-in-Jeopardy</a></u></p> <ul style="list-style-type: none"> <li>Job-in-Jeopardy to be examined with a view to improving the program.</li> </ul>
<b>Employer engagement</b>	
<p><u><a href="#">Limited employer awareness and incentives</a></u></p> <ul style="list-style-type: none"> <li>Limited employer awareness or understanding of DES and hiring people with disability.</li> <li>Some employers unwilling to employ people with disability.</li> </ul>	<p><u><a href="#">Improving employer awareness and incentives</a></u></p> <ul style="list-style-type: none"> <li>Better communications with employers about benefits of hiring people with disability.</li> <li>Trialling of employer-nominated initiatives.</li> </ul>

## Chapter 2: The case for change

People with disability face significant challenges in finding and keeping work. Employment outcomes for people with disability in Australia are poor compared to other countries in disability employment and Australians with disability are more disadvantaged when compared to other Australians on all employment indicators.<sup>2</sup>

According to the most recent OECD rankings, Australia was ranked 21 out of 29 countries for the employment of people with disabilities. Australia's employment rate for people with disability (48 per cent)<sup>3</sup> is comparable to countries such as Canada (49 per cent)<sup>4</sup>, and ahead of the United States (around 34 per cent),<sup>5</sup> the United Kingdom (46 per cent),<sup>6</sup> and Norway (43 per cent).<sup>7</sup> However, the employment rate for people with disability in some countries is substantially higher than in Australia.<sup>8</sup> More can be done to increase the employment participation of Australians with disability and move Australia towards being international leaders in disability employment, including improving our current approach to promoting the employment of people with disability.

People with disability are less likely to be participating in the labour force, and they are more likely to be identified as unemployed and looking for work. For people with disability that do have a job, that job is more likely to be part-time rather than a full-time. Given the relatively low rate of disability employment, fewer people with disability get to enjoy the social, emotional and financial benefits that work brings, and Australia as a whole does not get to enjoy the additional benefit from the full participation of people with disability in Australian life. The Taskforce identified a need to reform DES and shift employer attitudes and behaviours to address this issue.

Economic modelling by Deloitte Access Economics in 2011 found that if labour force participation by people with disability increased by 10 percentage points (from 54 per cent to 64 per cent at the time), and the unemployment rate for people with disability decreased by 0.9 percentage points (from 7.8 per cent to 6.9 per cent at the time), Australia's gross domestic product would increase by approximately \$43 billion over a decade.<sup>9</sup> All Australians, especially people with disability, should benefit from their increased economic and social participation.

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<sup>2</sup> Organisation for Economic Co-operation and Development (OECD). November 2010. *Sickness, Disability and Work: breaking the barriers*. Available at: [http://www.oecd-ilibrary.org/social-issues-migration-health/sickness-disability-and-work-breaking-the-barriers\\_9789264088856-en](http://www.oecd-ilibrary.org/social-issues-migration-health/sickness-disability-and-work-breaking-the-barriers_9789264088856-en)

<sup>3</sup> Australian Bureau of Statistics. 2016. *Disability, Ageing and Carers, Australia: First Results, 2015*. Available at: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/4430.0.10.001>

<sup>4</sup> Statistics Canada. 2015. *Persons with disabilities and employment*. Available at: <http://www.statcan.gc.ca/pub/75-006-x/2014001/article/14115-eng.htm>

<sup>5</sup> Kraus, Lewis. 2015. *Disability Statistics Annual Report*. Durham, NH: University of New Hampshire, p.23. Available at: <http://www.disabilitycompendium.org/annual-report>

<sup>6</sup> Department for Work & Pensions. 2014. *Official Statistics- Disability facts and figures*. Available at: <https://www.gov.uk/government/publications/disability-facts-and-figures/disability-facts-and-figures>

<sup>7</sup> International Labour Organisation. 2015. *Decent work for persons with disabilities: promoting rights in the global development agenda*, p. 66. Available at: [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---ifp\\_skills/documents/publication/wcms\\_430935.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---ifp_skills/documents/publication/wcms_430935.pdf)

<sup>8</sup> Eurostat. 2014. *Employment rate of people by type of disability, sex and age, July 2014*. Available at: [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=hlth\\_dlm010&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=hlth_dlm010&lang=en)

<sup>9</sup> Deloitte Access Economics. 2011. *The economic benefits of increasing employment for people with disability*.



## Barriers to employment for people with disability

Not only do people with disability face the challenges imposed by their disability, they also have to overcome barriers to social and economic inclusion.<sup>10</sup> As the World Health Organisation puts it, 'people are disabled by society, not just by their bodies'.<sup>11</sup> The barriers to employment for people with disability can be broken into three broad categories:

1. perceptions and misconceptions of employers and the broader public;
2. the education levels, skills and workforce preparedness of job seekers; and
3. the disproportionate impact of economic conditions on people with disability.

In terms of employment, this can manifest during recruitment and in the workplace, from management, colleagues and clients. A survey by the Australian Human Resources Institute looked at negative perceptions and perceived risks associated with hiring people with disability. The survey found that nearly 75 per cent of employer respondents said that these perceptions and risks were a factor preventing them from employing people with disability.<sup>12</sup> The Australian Human Rights Commission's (AHRC) *Willing to Work: National Inquiry into Employment Discrimination of Older Australians and Australians with Disability* received numerous reports of cases where people with disability had job offers withdrawn or their employment terminated once they revealed the fact they had a disability or a mental health issue.<sup>13</sup>

One factor driving poor employment outcomes are poor education outcomes before entering the workforce. People with disability achieve lower education levels when compared to their peers without disability. For instance, in 2015, 41 per cent of people aged 15 to 64 years with reported disability had completed Year 12, compared to 63 per cent of people without a disability. In addition to this, only 17 per cent of people aged 15 to 64 years with disability had completed a bachelor degree or higher, compared to 30 per cent of people without a disability.<sup>14</sup>

Another barrier people with disability face in finding a job is that they only have a partial capacity to work. Historically, the median DES-DMS participant has had an assessed future work capacity, with intervention, of 23 to 29 hours a week, while the equivalent DES-ESS participant has a future work capacity, with intervention, of 15 to 22 hours a week (see Table 1 below for a breakdown). This generally means if they are looking for work, the number of jobs they could accept are more limited than those who can work full-time or part-time. Furthermore, economic conditions adversely impact more vulnerable workers, such as those with disability. This means they are among those most at risk of job loss when there is economic downturn, or of missing out on work when unemployment is high.<sup>15</sup>

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<sup>10</sup> National People with Disabilities and Carer Council. 2009. *Shut Out: The experience of people with disabilities and their families in Australia Report* released in 2012. Available at: <http://www.dss.gov.au/our-responsibilities/disability-and-carers/publications-articles/policy-research>

<sup>11</sup> World Health Organisation (WHO). September 2013. *Ten facts on disability*. Available at: <http://www.who.int/features/factfiles/disability/en/>

<sup>12</sup> Australian Human Resources Institute. 2011. *Recruiting people with disability: an employer perspective*, Research Report, August 2011, p. 19.

<sup>13</sup> Australian Human Rights Commission (AHRC). May 2016. *Willing to Work, National Inquiry into Employment Discrimination Against Older Australians and Australians with Disability*, Chapter 4. Available at: <http://www.humanrights.gov.au/our-work/disability-rights/publications/willing-work-national-inquiry-employment-discrimination>

<sup>14</sup> Australian Bureau of Statistics. 2015. *Survey of Disability, Ageing and Carers 2015*. Available at: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/4430.0>

<sup>15</sup> Borland, J. 2014. Dealing with Unemployment: What should be the role of labour market programs? *Evidence Base*, issue 4.

**Table 1: Assessments by Future Work Capacity 2010-2016**

	0-7 Hours per week	8+ Hours per week	8-14 Hours per week	15-22 Hours per week	23-29 Hours per week	30+ Hours per week
DES-DMS	0.1%	2.8%	7.3%	31.6%	32.4%	25.3%
DES-ESS	1.7%	15.6%	25.8%	35.5%	15.3%	4.4%

Source: DES Program Data

## Factors considered in making changes

The proposals contained in this Discussion Paper have been informed by the following initiatives. These will continue to be taken into account when developing the new DES model. DES program data and studies on international practice have also been considered.

### National Disability Strategy

Improving the employment of people with disability has been identified as a priority by the Council of Australian Governments in the National Disability Strategy 2010-2020 (the Strategy). The Strategy provides a ten-year national policy framework for improving life for Australians with disability, their families and carers. The Strategy outlines areas in need of future action to promote the economic security of people with disability, their families and carers, including:

- improving employer awareness of the benefits of employing people with disability;
- reducing barriers and disincentives for the employment of people with disability;
- encouraging innovative approaches to employment of people with disability such as social enterprises, or initiatives to assist people with disability establish their own small business; and
- improving employment, recruitment and retention of people with disability in all levels of public sector employment, and in funded organisations.

These areas overlap the areas identified by the work of the Taskforce and are being considered in the development of a new DES model.

### Willing to Work Inquiry

In May 2016, the AHRC released its report, *Willing to Work: National Inquiry into Employment Discrimination against Older Australians and Australians with Disability*. The report contains 10 recommendations directly related to initiatives designed to increase the employment participation of people with disability, including reforms to DES and Australian Government workplace modification programs. These recommendations are being considered in the process of developing the new DES model and are outlined in the subsequent chapters of the Discussion Paper.

### Indigenous Advancement Strategy

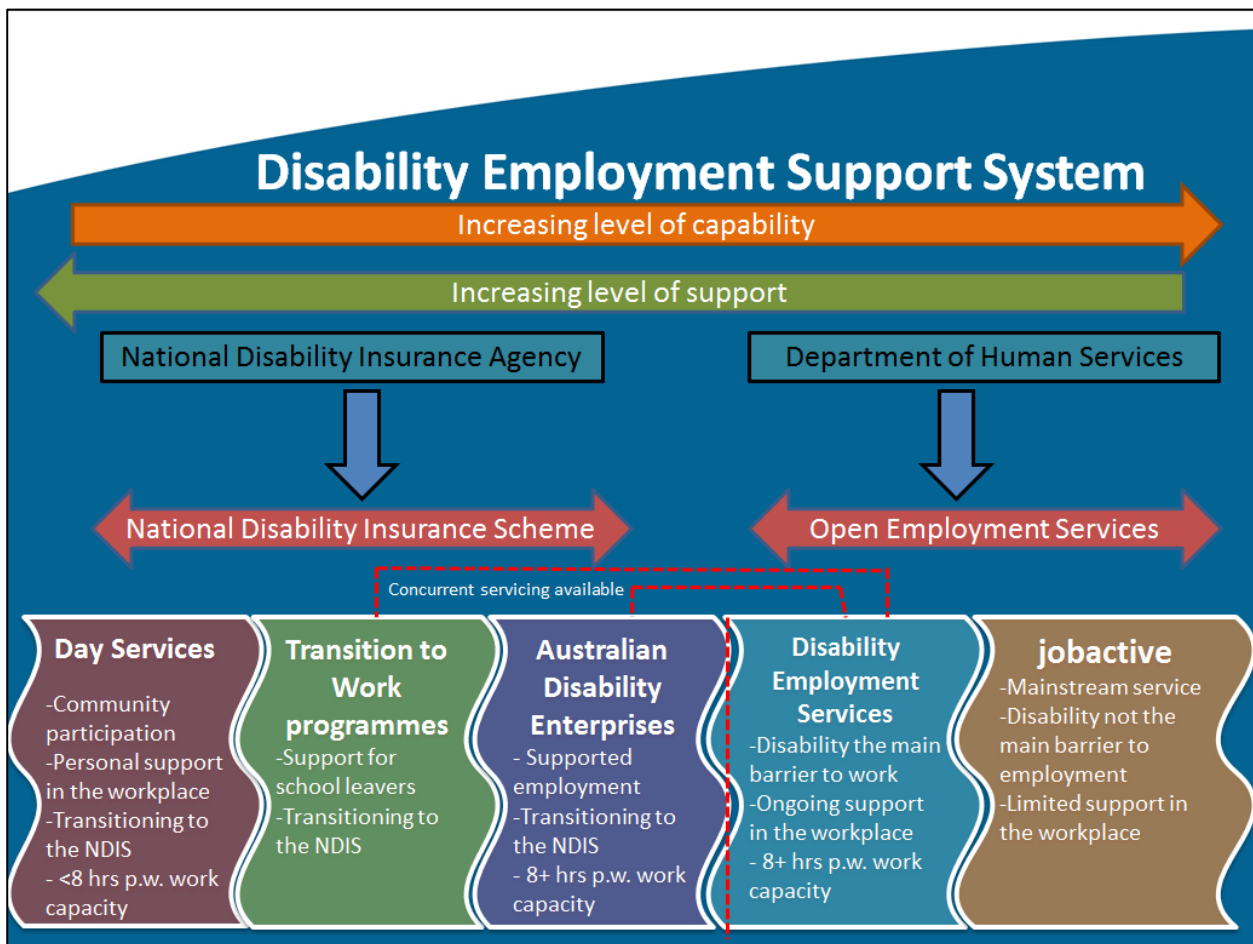
Around five per cent of the DES caseload identifies as Indigenous, and Indigenous Australians are more than twice as likely to be DES participants as non-Indigenous Australians. DES has a role to play in reducing the employment gap between Indigenous and non-Indigenous Australians, and will play an important role in the work being undertaken

by the Department of the Prime Minister and Cabinet to implement the Indigenous Advancement Strategy.

## The NDIS

Figure 1 below provides an overview of the current disability support system, including the role of the National Disability Insurance Agency (NDIA) and the Department of Human Services (DHS) in streaming people with disability into the appropriate service, dependent on their individual support needs. The NDIS focuses on providing funding for long-term, individualised care and support to meet the day-to-day needs of participants. When fully implemented, the NDIS will support around 460,000 people with a disability that is permanent and substantially reduces their ability to participate effectively in activities or to perform tasks. While the NDIS will also fund some supports to assist eligible participants with employment, the primary responsibility for helping people with disability into the workforce will remain with DES and jobactive. Given the employment opportunities the NDIS will generate, there is an opportunity for DES to place people with disability in NDIS-related employment.

**Figure 1: Australia’s Disability Employment Support System**



Of the 460,000 people expected to be NDIS participants, based on current participation, around five per cent or around 24,000 are expected to be DES participants representing around 12 per cent of the total DES caseload. This can be expected to increase as the supports provided through the NDIS enable people to participate more fully in social and economic life, including seeking work for those NDIS participants not already in work and able to work at least eight hours a week. Government agencies will continue to work closely

together to plan and coordinate streamlined services for people participating in both DES and the NDIS. This close cooperation is important, given that Australian Disability Enterprises (ADEs), which provide supported employment opportunities to Australians with disability, will be incorporated into the NDIS and that state and territory funded post-school employment programs are also transitioning to the NDIS.

## Jobactive

Jobactive replaced Job Services Australia (JSA) in July 2015 as the government's mainstream employment services program. While there are more than 180,000 people with disability participating in DES, there are around 200,000 people with disability participating in jobactive (out of a total of around 760,000 jobactive participants). The major point of difference between these two groups is that the barrier to employment for DES participants is assessed to be their disability, while this is not the case for the jobactive participants with disability. However, there is significant overlap between DES and jobactive through employment service providers that deliver services under both programs from the same site. The Government also uses the same information technology infrastructure to deliver both programs. As a result, there is an opportunity to identify lessons for DES from the rollout of jobactive, and also to draw on the experiences of DES in considering policy for jobactive.

## Current DES performance

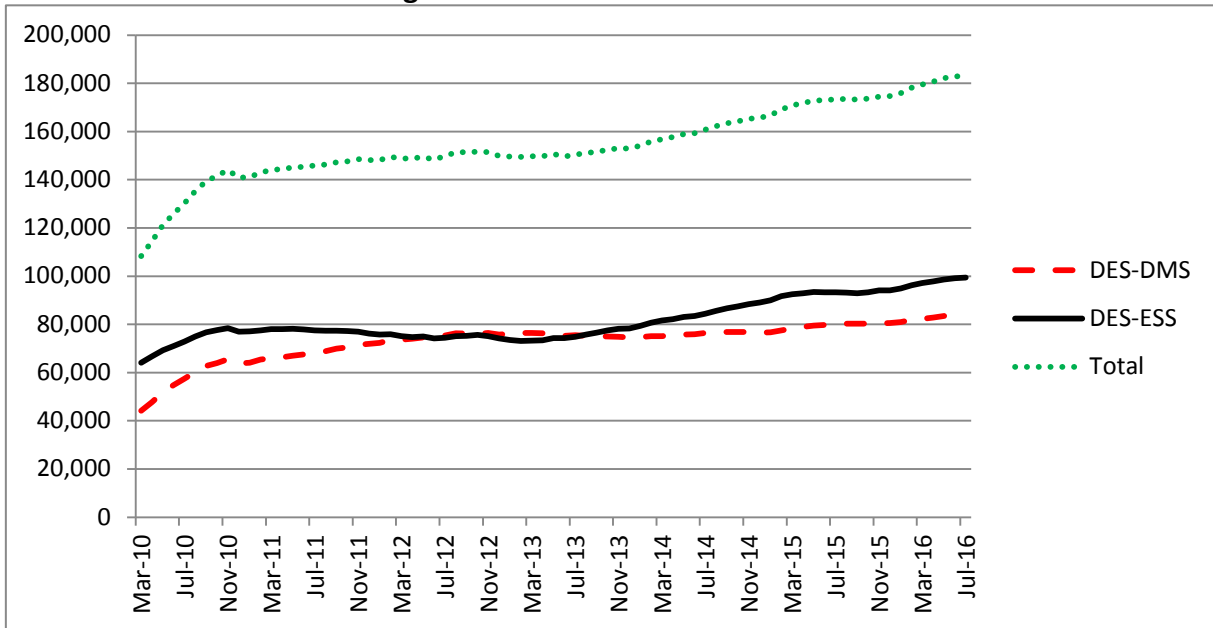
DES was introduced in 2010 as part of the consolidation and reform of two previous Government programs, Vocational Rehabilitation Services (VRS) and Disability Employment Network (DEN). DES has either matched or exceeded the performance of VRS and DEN, once differences in policy and measurement methods are taken into account.<sup>16</sup> Since the removal of restrictions on the number of people who could participate in DES in March 2010 there has been a steady increase in the overall caseload. Figure 2 below shows there were 183,000 participants in DES at the end of July 2016 compared to 108,000 participants when DES started in March 2010 – an increase of nearly 70 per cent in six years. In addition, the average commencement per month has increased to approximately 7,900 participants, compared to around 7,000 participants under DEN/VRS.<sup>17</sup>

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<sup>16</sup> Department of Employment. *Evaluation of Disability Employment Services 2010-2013: Final Report*. Available at: <https://www.dss.gov.au/our-responsibilities/disability-and-carers/publications-articles/policy-research>

<sup>17</sup> DES program data.

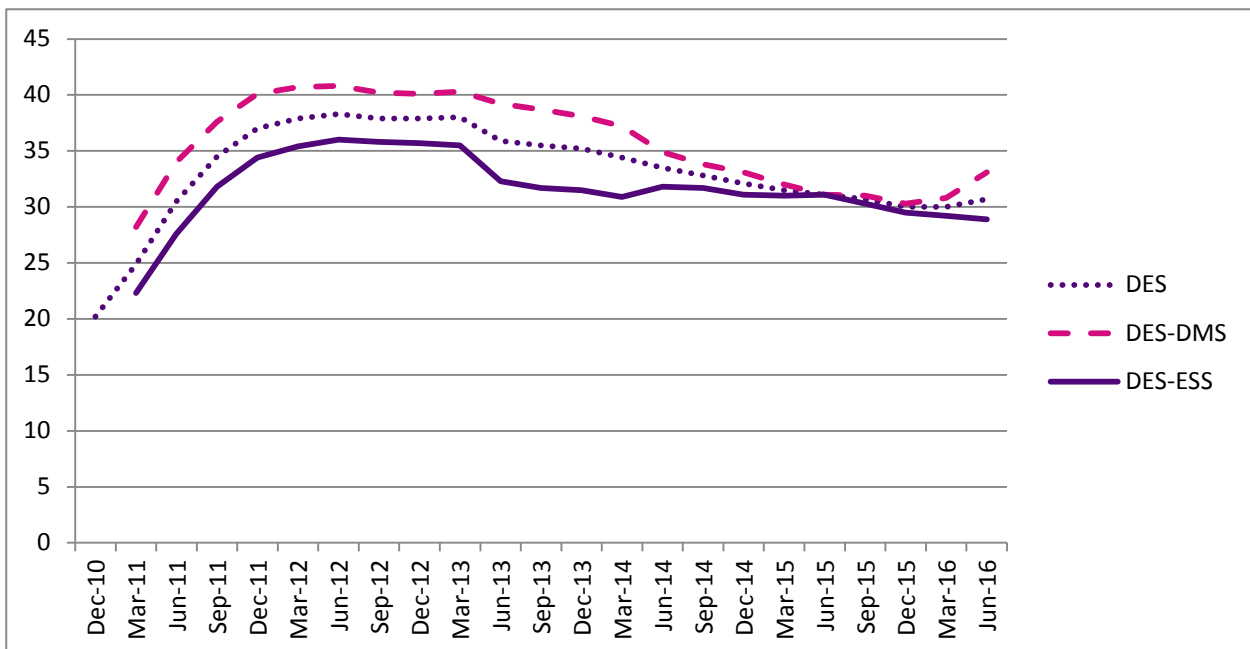
**Figure 2: DES Caseload 2010-2016**



Source: DES program data

Over the same period, overall DES performance has varied. Once the DES caseload stabilised following the uncapping of DES eligibility, there has been an overall downward trend in DES performance. Figure 3 below shows that since March 2013, when the figure was 38 per cent, the Employment Outcome rate in both DES-DMS and DES-ESS has fallen to 30.7 per cent in June 2016 (a 20 per cent decrease).<sup>18</sup> Furthermore, DES is not meeting targets for placing participants in jobs.

**Figure 3: DES Employment Outcome rate: Dec-10 to Jun-16**



Source: Labour Market Assistance Outcomes report (various publications).

<sup>18</sup> Labour Market Assistance Outcomes (various publications). Available at: <https://www.employment.gov.au/labour-market-assistance-outcomes-reports>

The decline in DES performance is not attributable to a single cause. Several factors, including economic and demographic changes are affecting the DES caseload, which in turn are placing downward pressure on DES performance. However, the decline performance should not be taken as evidence that DES is 'broken', but rather sharpens our focus on how to achieve better outcomes for DES participants.

### **Economic factors**

Economic factors are a large contributor to the decline in DES performance in recent years and demographic factors are likely to play a significant part in the overall performance of DES into the future as Australia's population ages. In recent years, the general unemployment rate increased from 4.9 per cent in December 2010 to 6.2 per cent in December 2014 before decreasing to the current trend rate (September 2016) of 5.6 per cent.<sup>19</sup> In line with the overall softness of the labour market, there has been an increase in the number of people on activity tested income support payments like Newstart Allowance, meaning more people are required to participate in employment services programs including both DES, jobactive, and the precursor to jobactive, JSA.

By way of comparison, performance in the then mainstream employment services program JSA also experienced a downturn in this period. In the 12 months to June 2012, 48.7 per cent of participants in JSA were still in employment three months following their participation in JSA. In the 12 months to September 2015, this figure had fallen to 42.8 per cent.<sup>20</sup> In recent months, as the overall economy has had modest improvements and the general unemployment rate has fallen from the most recent highs, there are indications DES performance overall may have stabilised at around an employment outcome rate of around 30 per cent.

### **Demographic changes**

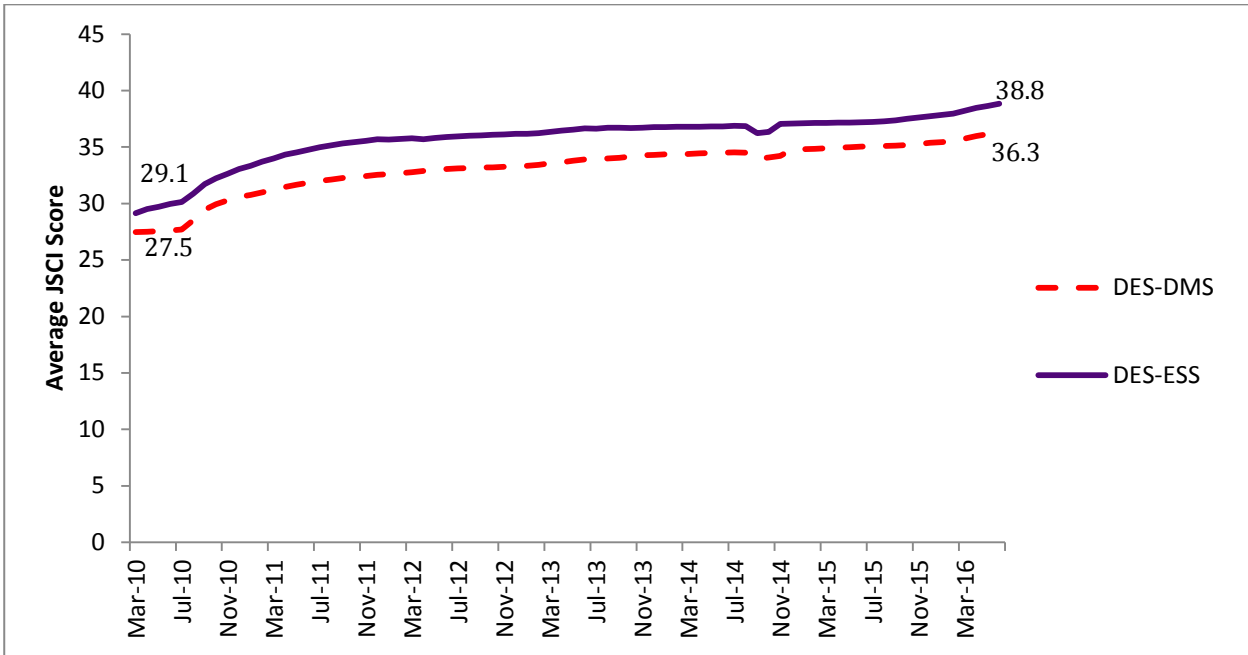
Some of the changes in the DES caseload are also reflected in the Job Seeker Classification Instrument (JSCI) that measures a job seeker's likelihood of achieving employment and is used to identify job seekers who have complex or multiple barriers to employment. Figure 4 below shows the JSCI scores for both DES-DMS and DES-ESS participants have increased by more than 30 per cent between March 2010 and June 2016. This suggests that the characteristics of participants in DES are changing such that the typical DES participant in the program today may have more barriers to employment than in the past.

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<sup>19</sup> Australian Bureau of Statistics. *Labour Force, Australia, July 2016*. Available at: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0>.

<sup>20</sup> Department of Employment. 2015. *Labour Market Assistance Outcomes, Job Services Australia, September 2015*. Available at: <https://www.employment.gov.au/labour-market-assistance-outcomes-reports>

**Figure 4: Change in Average Job Seeker Classification Instrument scores over time**



Source: DES Data

These demographic changes may in part be due to the evolution of eligibility for the Disability Support Pension (DSP) since 2011 and the application of mutual obligation requirements to new cohorts of job seekers that have not previously been required to participate in employment services. The impact of these policies is reflected in the changes to the DES caseload, as both the proportion and overall number of DSP recipients on DES has declined, while the number of Newstart (NSA) and Youth Allowance (YA) DES participants has continued to increase (refer to Table 2 below). This trend of harder to place job seekers moving onto DES is expected to continue into the future.

**Table 2: Income support payment recipients in DES**

	No.			Proportion		
	NSA/YA	DSP	Other	NSA/YA	DSP	Other
<b>Jul-11</b>	81,420	33,873	30,574	55.8%	23.2%	21.0%
<b>Aug-16</b>	139,810	23,622	20,651	75.9%	12.8%	11.2%

Source: DES Program Data

## Chapter 3: Improving Participant Choice and Control

Currently, participants have limited choice and control in the type of DES supports they receive and who they receive them from. Most DES participants are restricted in choosing their provider and have limited awareness of the services they can receive and how they can receive them. For example, the typical DES participant attends a provider within their local Employment Service Area (ESA) to whom they were referred by Centrelink (DHS), and must meet certain criteria in order to change providers.

Improving individual choice and control generally leads to better outcomes.<sup>21</sup> Government service delivery is moving towards a more participant-focussed approach where the individual has control over who provides them with services, which services they receive and how they receive them. In Australia, participant-focussed reforms have been implemented in aged care and are currently being implemented in the NDIS. A shift towards more participant-directed service delivery is proposed for DES through:

- More choice for participants by relaxing restrictions on choosing a provider;
- More say for participants over the services they receive, with funding following the participant when they choose to change provider;
- Better access to information to help participants choose, including more information about providers.

Underlying these changes would be a requirement for providers to accept any and all participants that choose to attend that provider. Generally, providers would not be able to refuse to take on a participant. This is aimed at ensuring providers do not seek to manage their caseload by only taking on job seekers that are relatively easy to place in work, while avoiding job seekers who are more difficult to place in work. It is expected there would be an exception to this for providers who specialise in assisting people with a particular kind of disability, or who face further barriers to work in addition to their disability. These providers would not be expected to take on people who are not from the group or groups in which they specialise, but would be expected to accept any and all DES participants who have the disability in which they specialise.

### More choice in selecting a provider

Most participants are required to attend a provider within their local ESA and cannot, for example, choose to attend a provider located across the road, because it is in a different ESA. This mechanism restricts the capacity of participants to choose their provider, reduces competition between providers, who have a captive market, and lessens the pressure to innovate and make attractive service delivery offers to prospective participants.

A change being considered is to allow participants to go to a provider of their choice, including in ESAs surrounding the one in which they reside. ESAs would still remain in place to help provide structure to DES, but would have limited effect on participants making a choice of provider. As a result, participants would have more providers to choose from and providers would have to do more to attract and retain DES participants.

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<sup>21</sup> Productivity Commission. 2011. *Disability Care and Support: Productivity Commission Inquiry Report – Appendix E*. Report Number 54, Canberra. Available at: <http://www.pc.gov.au/inquiries/completed/disability-support/report>



## Transferring between providers

To complement the proposal to reduce restrictions on participants choosing to attend a provider outside their ESA, it is also proposed to reduce restrictions on participants changing providers. At present, there are strict requirements placed on participants wishing to voluntarily change providers and participants often have to justify the need for the transfer even if they want better servicing. These restrictions prevent participants from changing providers simply if they are unhappy with the level of service they are receiving and wish to get a better service from a different provider.

Removing the current restrictions on provider transfers would allow participants greater flexibility to find a provider that best meets their needs. This is not intended to lead to participants inappropriately churning through providers; and therefore, it is proposed that participants would be able to voluntarily transfer to a new provider up to three times in their first 12 months of participation, and up to twice in the following year, without restriction. Any transfers in excess of this would need to meet additional criteria.

## Assistance in selecting a provider

While most DES participants would be able to take advantage of these proposed changes, some DES participants may be unwilling or unable to choose a provider. As a result, there would need to be a robust default allocation method in order to assign a participant to a provider, such as:

- Provider performance;
- Provider location; and
- Provider specialisation.

Incorporating these elements into a default allocation process would help ensure participants who do not choose for themselves are referred to higher performing providers, rather than to achieve market shares, as is currently the case.

### **Discussion Point 1: More Choice for Participants**

1. What, if any, restrictions should there be (for example, region or distance) on participants choosing to attend a provider?
2. How often should participants be allowed to voluntarily transfer or switch providers?
3. What should be the basis of referral by Centrelink for participants who do not choose a provider?

### **Regulation: Reduced**

Participants and providers would no longer be required to demonstrate special circumstances for a participant to receive services outside of the ESA they live in. Removing the current restrictions on provider transfers would reduce regulation for participants as they would be able to move more freely between providers.

## More flexibility in the mode of service delivery

DES participants and providers are currently required to meet face-to-face for a minimum number of contacts specified in the DES Deed (other than in exceptional circumstances). For most participants this means that they must attend a provider site for their initial interview and for six contacts every three months when they are looking for work. With the increasing availability of technology and the objective of increasing flexibility and innovation in the DES program, it may no longer be necessary to prescribe face-to-face meetings and minimum contacts. DES providers have indicated that setting minimum requirements takes away their flexibility to deliver services that meet the individual needs of participants.

In recognition of the way technology can enhance service delivery options, it is proposed to remove the requirement to have face-to-face contacts between providers and participants beyond the initial meeting. The initial contact would continue to be face-to-face to help build a solid participant-provider relationship, but after the first meeting a more convenient approach can be adopted, for example, by online video conferencing. Any proposed flexibility in the delivery of services would need to ensure that DES participants are able to meet their mutual obligation requirements and that DES providers are able to monitor those activities.

### **Discussion Point 2: Provider/Participant Contacts**

1. Should face-to-face requirements remain as part of the DES service delivery?
2. How often should participants and providers be required to meet, either face-to-face or by other means?

### **Regulation: Reduced**

Removing the requirement for providers to meet face-to-face with participants and removing minimum requirements would reduce regulation for participants and providers. Participants and providers could agree on the most appropriate timing and form of contact to suit the individual needs of the participant.

## More say in setting directions through enhanced Job Plans

The Job Plan underpins the provision of services to DES participants and all participants are required to have a current Job Plan. Participants have given feedback saying that they have little input into their Job Plan, and that Job Plans are used mainly to list a participant's mutual obligation requirements, rather than the services a provider will supply to a participant to help them to achieve employment.

Improving participant awareness of what to expect in a Job Plan, would assist participants to negotiate and agree a Job Plan. The possible minimum requirements for a Job Plan would need to improve choice and control for DES participants, and ensure providers are accountable to participants and provide meaningful support. It is expected that in a more competitive market for provision, in which providers have to attract and retain participants, providers may choose to highlight the kinds of supports they include in their Job Plans as a means of winning clientele.

### **Discussion Point 3: Job Plans**

1. Should Job Plans have minimum requirements beyond what is necessary for mutual obligation requirements? Or should this be determined between each participant and their provider?
2. How can we ensure that participants are actively involved in the development of their Job Plans, or will the ability of participants to change providers if unsatisfied be sufficient?
3. How should providers be held accountable to ensure activities in the Job Plan are undertaken and supports are delivered? Will the ability of participants to change providers if unsatisfied be sufficient?

### **Regulation: Increased**

Introducing more detailed Job Plans would increase regulation on providers as they would be required to record progress against activities and supports recorded in the Job Plan which is not currently required.

## **Better information to improve decision making**

The reforms outlined are intended to give DES participants more power over the services they receive by exercising more choice and control over which services they receive and which provider they receive them from. However, participants also need adequate information in order to take advantage of these new opportunities. Feedback from Taskforce consultations found that there is a lack of transparent information available for participants about what services they are eligible to receive and the quality of providers to deliver those services. Readily accessible information for participants coming into DES should include:

- where they can go to obtain assistance in gaining employment;
- what services are available from various providers of support;
- the funding attached to the participant;
- provider performance in achieving employment outcomes for participants;
- any comments or ratings of their experience that current and previous users of a service may have made;
- better information for the participant about the funding providers receive for servicing them;
- balance of individualised funding and the processes and principles for accessing the funding;
- access to information on a participant's specific eligibility for DES services;
- provide job search capability that matches a person's work capacity and profile with jobs;
- provide information on a participant's barriers to employment, for example, ESAt information;
- provide disability specific job search links and fact sheets; and
- the ability to view performance of providers in the area and to provide feedback about the service received or to make a complaint.

By improving the information available to participants and the means of accessing that information, participants will be better able to take advantage of new initiatives like the participant-controlled funding and the greater choice available through the market reforms.

#### **Discussion Point 4: Better Information for Participants**

1. What information should be available to participants, providers and employers?
2. Should there be mechanisms to ensure no false or misleading claims are made against DES providers?
3. Should the Department facilitate access to information on accessible and user friendly platforms, or should this be purely market led (with providers offering such information on platforms of their own choosing)?

### **More control through some funding provided to the participant**

DES providers currently receive service fees to support a participant to prepare for and enter the workplace. DES providers have the flexibility to use this funding to address the individual barriers of each participant. Assistance may include a training course, counselling, or the purchase of goods and services. Under this approach, participants do not have access to, or control of how funds are spent to assist them. Further, service fees that are not spent on participants are retained by the provider, which creates an incentive for providers to minimise expenditure.

There are currently no checks and balances in place on how service fees are spent, as service fees are paid quarterly in advance. There is also no monitoring to determine what proportion of service fees are spent on addressing participant needs, nor any contractually mandated level of expenditure on participants. Their use is entirely at the discretion of the provider, which also needs to meet at least some of its own costs from the fees.

Understandably, many participants are concerned about the lack of support from providers to help them in a way that the participant thinks will get them a job, such as funding a particular training course. DES providers are within their rights to decline to spend money according to a participant's wishes, particularly if this money is unlikely to achieve an employment outcome. However, this experience can be demotivating for participants who may have a well formed understanding of the jobs they want.

One option considered to address this would be to introduce an element of individualised funding that gives participants more control to purchase what goods and services they think they need to get into the workforce. Under such an approach, when a participant starts in DES, a portion of their DES funding would be quarantined for their use in a separate account. The participant would receive information on their account, including how much money is in it and how to use it. Each participant would be able to determine how the quarantined funds are spent, so long as they are consistent with a set of guiding principles.

In line with these principles, DES participants would be able to use the account to address their vocational and non-vocational barriers to employment. This could include safety clothing, like fluoro vests and steel capped boots, a driver's or heavy truck license, petrol for their car or bus and train tickets so they can get to and from job interviews. Money in the account could also be used to undertake training and skills development aimed at securing employment. Money in the account would not be intended to cover the normal day-to-day costs of participants, for example food and rent, nor is it to cover the normal costs of providers in delivering DES or the account.

It should be noted that in considering a participant-centric account, it would most likely differ from the quarantined Employment Fund available for expenditure on jobactive

participants (rather than by participants) which remains provider-centric and controlled. It should also be noted that a small trial of participant directed funding was undertaken with young people with mental health issues across several DES services from August 2015 to June 2016. The trial found that simply giving people a sum of funds (in the trial, \$5,000 each in a “career account”) to support job seekers, did not necessarily improve employment outcomes. Job seekers struggled to apply the funds in ways that improved their employment prospects, with half the funding unspent at the end of the trial, and fewer people in employment compared to a matched group of similar job seekers participating in DES in the usual way.

While individualised funding could notionally present greater control for the participant, with the overall aim of improving each participant’s experience of DES, it is possible that the intent could be undermined by creating a basis for disputes between participants and providers as to who should pay for what, with each seeking to have the other pay for particular goods and services. Guidelines outlining the division of responsibility would go some way to addressing the tension of who pays for what; however, the potential for conflict, leading to delays in service delivery would remain. There is also a risk that guidelines would proliferate as clarifications were sought in specific instances as to whether a particular cost should be met by the provider or the participant. This could lead to participants and providers having to navigate complex prescriptions as to who is responsible for what. There is a real risk that this could create additional complexity and be a burden on participants, without enhancing outcomes.

The additional administrative burden imposed on both providers and participants in managing and monitoring the use of a participant account, needs to be considered. This was considered to be significant by JSA providers in the administration of the Employment Pathway Fund. On balance, it may be the case that allowing participants to choose their provider and to change providers, with the funds following the participant, is more likely to achieve improved outcomes than simply placing the funding under the direct control of the participant.

#### **Discussion Point 5: Participant Controlled Funding**

1. There is considerable literature and experience in participant controlled funding in personal care. Is there any evidence of the effectiveness of participant control of third party funding in employment services?
2. In such a model, how much funding, if any, should be quarantined for job seekers to use through an account, how should this funding be made available to participants, and how could there be simple clarity as to what costs are to be met from participant controlled funds versus provider controlled funds?
3. What principles should guide the appropriate expenditure of any individualised funding?
4. What restrictions should apply to the use of the funds by participants?
5. How can participants who are unwilling or unable to use individualised funding be supported during the decision making process?
6. What restrictions should apply to the expenditure of the funds on services from a participant’s provider or an associated organisation?

**Regulation: Increased**

Introducing some individualised funding would increase regulation on providers as they would be required to keep a record of the goods and services purchased through the account. This is not required in the use of service fees under the current payment structure.

## Chapter 4: Driving greater competition and contestability in the delivery of DES

DES can generate greater competition and innovation in service delivery through a more competitive and dynamic marketplace. The Taskforce's consultations highlighted several elements of the current DES arrangements that prevent new or high performing organisations from expanding and delivering services to participants.

The quality of services and employment outcomes for participants can be improved by introducing new ways of administering DES that enable successful providers to expand their services to more participants in more places, while also allowing new providers to enter the market. These settings are complemented by giving participants more control over who they receive services from and more information upon which to base their choice.

In line with the recommendations of the Harper Competition Policy Review,<sup>22</sup> these proposed changes seek to encourage greater competition between providers, and stimulate innovation in DES through:

- more flexible procurement arrangements (a DES Provider Panel);
- simplified contract arrangements for providers;
- relaxing both the number and restrictions imposed on defined ESAs; and
- removing prescribed market share levels for providers where the market can support it.

Any changes to the program must recognise that DES has two major functions. The first is to provide employment services to people with disability and employers. The second is to enable people on income support to meet their mutual obligation requirements. DES must undertake both of these functions in order to be successful and any changes to the DES model must continue and build on these capacities.

It is also important to appreciate that DES has both generalist and specialist providers. The former provides services to all participants, while the latter provides services to participants with specific disabilities or additional barriers to employment. For example, specialist mental health DES providers service participants whose mental health situation is a major barrier to employment. There are also specialist groups for Indigenous Australians, ex-offenders, the culturally and linguistically diverse and youth, in addition to those who are vision or hearing impaired, or have an intellectual or psychiatric disability. The proposed reforms intend to continue the availability of specialist services.

### Improving market access for providers through a DES Provider Panel

The significant change proposed to increase greater market flexibility is to establish a new DES Provider Panel (the Panel). Prospective DES providers would apply to join the Panel by meeting a set of minimum criteria based on capability, capacity and risk, such as:

- meeting the National Standards for Disability Services;
- being financially viable;
- having robust governance arrangements;

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<sup>22</sup> Harper et al. March 2015. *The Australian Government Competition Policy Review, Final Report*. pp. 36-37. Available at: <http://competitionpolicyreview.gov.au/final-report/>

- A demonstrated ability to deliver disability, employment or related services;
- accepting the terms and conditions of the contract or deed; and
- meeting and maintaining a minimum performance level.

Successful Panel members would have regular opportunities to apply to deliver services in individual ESAs by providing additional information for each ESA they are seeking to deliver services, such as:

- provider specialisation (if applicable);
- demonstrate ESA coverage, including site numbers and locations in the ESA;
- minimum and maximum indicative caseload capacity; and
- agreeing to the principle of 'no right of refusal of a participant,' if the provider's caseload is below the self-declared maximum threshold.

It is anticipated that the proposed Panel arrangements would lead to increased competition and stronger incentives for providers to make competitive service delivery offers to participants. These benefits should flow on to participants through improved job outcome rates and better overall provider performance.

Regularly refreshing the Panel would allow prospective providers to access the DES market more often than every five years, which currently occurs. One option is to undertake a partial refresh of the Panel every 12 to 18 months, which would allow poorly performing providers to exit, new providers to enter the market, and high-performing providers already on the Panel to expand. Existing providers would be grandfathered from the refresh and maintain their position on the panel, and high-performing providers, for example those with a 3-star rating or higher, would be able to expand into new areas where they don't currently operate. The minimum performance requirement would help ensure that all DES participants have sufficient access to high quality employment services and will apply to both generalist and specialist providers.

Another benefit of the Panel is that it provides flexibility for providers to work in partnership with larger employers with a national footprint so the provider is able to expand their operations to meet the needs of employers. Under the current arrangements, DES providers are only able to 'shadow' an employer across their business network if they already have a contract to provide DES services in areas where the employer has job vacancies. The new arrangements should make it much easier for providers to establish a matching footprint in partnership with employers which could lead to more job opportunities for people with disability.

It is envisaged that panellists would be subject to regular reviews that focus on meeting a minimum performance standard against the Star Ratings in order to maintain membership of the Panel. Panellists that consistently fail to meet a minimum required standard would be removed from the Panel and no longer able to supply DES until they re-establish minimum standards and apply to join the Panel again. If a provider is unable to meet a minimum performance standard in an ESA, they would be restricted from providing disability employment services within that ESA, but still retain their membership of the Panel, if they continue to meet the minimum standard in another or other ESAs.



### **Discussion Point 6: Entering the DES Market**

1. How often should the Panel be open to entry by new providers?
2. How often should panellists be reviewed and what criteria should they be reviewed against?
3. What should the basic criteria be for joining the Panel?
4. How much time do providers need before entering into a market to set up their operations?
5. In order to supply DES in a specific ESA what should the requirements be for:
  - a. a minimum caseload?
  - b. ESA coverage?

## **A single DES contract for providers**

Presently, there are 573 DES sites that deliver both DES-DMS and DES-ESS services. Providers at these sites were required to tender for each service separately and therefore currently have separate contracts for each service type. In practice, these services are delivered side-by-side by the same staff at the same locations. With a view to reducing the administrative burden for providers, it is proposed that DES providers do so under a single contract covering both current DES-DMS and DES-ESS, with Ongoing Support in the workplace provided to participants who need it. In practice, all providers would need the capacity to supply the current equivalent of DES-DMS, DES-ESS and Ongoing Support.

### **Discussion Point 7: A Single DES Contract**

1. Would all providers have the capacity to deliver DES-DMS, DES-ESS and Ongoing Support under the proposed simplified contract arrangements?

### **Regulation: Reduced**

A requirement to have only a single contract for a provider delivering DES under both the DES-DMS and DES-ESS services would reduce the regulatory burden on providers.

## **Removing market share restrictions**

The current highly regulated market share allocations mean that providers are guaranteed a proportion of job seeker referrals from Centrelink regardless of their performance. It also means that even high performing providers do not receive new referrals from Centrelink (and participants cannot choose to attend that provider) where the provider's share of referrals is 30 per cent above their allocated market share. Market share arrangements protect underperforming providers and limit the growth of high performing providers.

With the aim of improving the overall performance of DES, one option is to remove market share restrictions in most or all ESAs so that DES providers have more freedom to attract new participants and grow their businesses. Providers would no longer be guaranteed referrals from Centrelink and would need to attract and retain DES participants through the quality and effectiveness of their service delivery. Increasing the strength of the DES market should help drive innovation, competition and choice in DES.

If all DES contracts performed at the current 5-star level, it is estimated that the 26-week full outcome rate for the DES-DMS would be more than eight percentage points higher than the

current average of 37.3 per cent and the DES-ESS would have a 26-week full outcome rate of almost 16 percentage points higher at 45.2 per cent.<sup>23</sup> Achieving outcome rates at this level would lead to many more people with disability gaining employment.

As a founding principle, providers must accept any participant who chooses to attend their services, if they have appointments available to them within the capacity they identified when seeking to be placed on the panel or to offer services in specific sites. Introducing choice and control is fundamentally about ensuring that participants can choose their provider; it is not about providers choosing their participants.

#### **Discussion Point 8: Removing Market Share Restrictions**

1. What mechanisms should be adopted to ensure universal coverage in an ESA while maintaining a competitive marketplace?
2. How should provider diversity be maintained to ensure participants have adequate choice of provider?

### **Employment Service Areas (ESAs)**

ESAs give structure to DES and form the basis of administrative and management arrangements for the performance and compliance framework by imposing restrictions on providers and participants. The rigidity of this structure reduces choice and control for participants, and reduces competition between providers. However, the combination of these factors also helps monitor and minimise the risk of market failure. Reducing the number of ESAs may help reduce some of the negative impacts of ESAs while retaining the beneficial structure they provide to the administration of DES.

One option is to reduce the number of ESAs from 110 to 51 ESAs based on local labour market regions. This change would align DES with jobactive, which implemented this change in July 2015 in an effort to streamline administrative arrangements for providers. The alignment of jobactive and DES in this regard should lead to administrative efficiencies across employment services nationwide for those organisations that participate in both. An alternative option is to keep the current 110 ESAs and allow participants to attend providers outside their ESAs.

#### **Discussion Point 9: ESAs**

1. Should there be ESAs, if so, how many ESAs should there be?
2. Should the number of ESAs be reduced if market share is removed?

#### **Regulation: Reduced**

Streamlining DES into one program with a single contract and introducing a panel application arrangement will reduce the amount of documentation and time needed to apply to deliver services in a panel application process.

Service providers on the panel would need to meet minimum criteria if they wanted to move into another ESA. However, they would only need to provide minimal documentation specific to providing services in that area.

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<sup>23</sup> DES program data.

## Preventing Market Failure

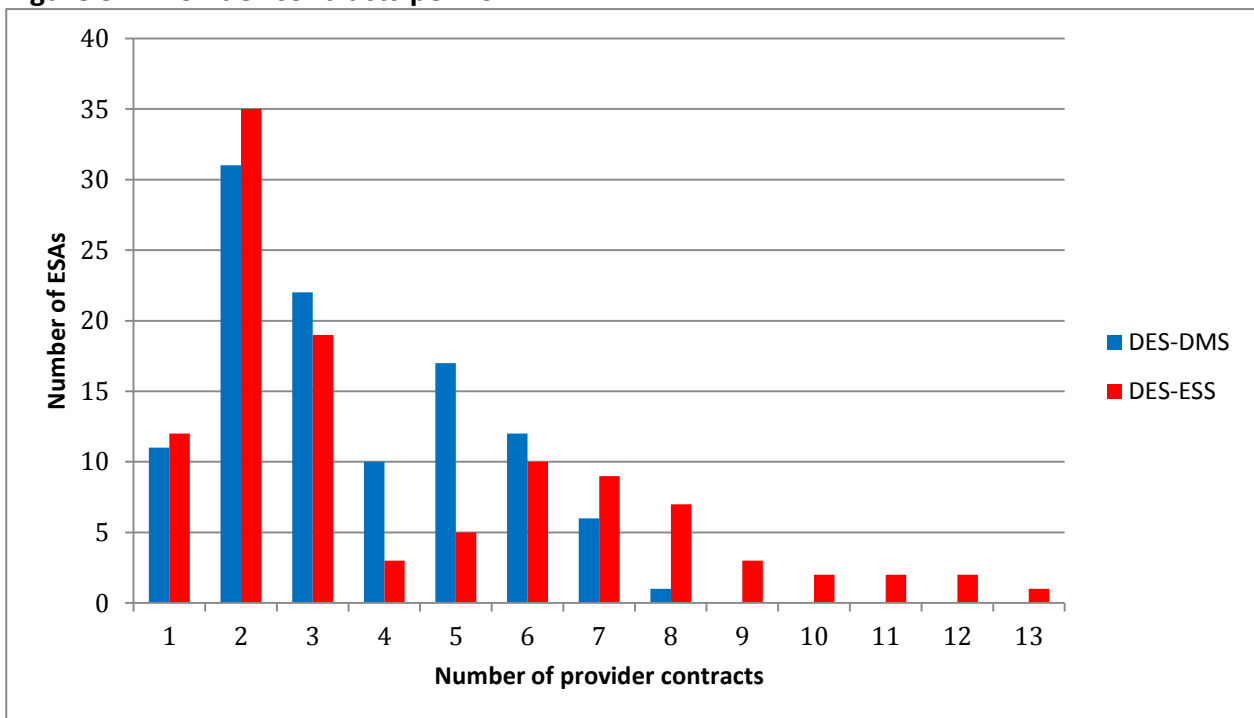
Removing market share arrangements should improve competition and choice in areas where it is viable for many providers to operate. However, it is possible that in some areas there may only be one provider or no providers willing to offer services. In these circumstances, intervention would be needed to prevent market failure. Preventing market failure is crucial for several reasons:

- to ensure participants have access to timely and relevant DES services;
- to ensure that employers have the opportunity and support they need to hire people with disability; and
- to maintain the integrity of the income support system by ensuring that people on income support with mutual obligations can participate in a DES service to meet their mutual obligations.

Current experience suggests that there may not be sufficient providers willing to provide in some areas and that participants may not have much control in their choice of provider. Of the 136 DES-DMS and DES-ESS contracts that have at least 50 per cent market share in ESAs, 128 of these contracts are in regional locations, with only eight such contracts for metropolitan providers. Of the 204 contracts that are for less than 10 per cent of market share, 172 are in metropolitan areas. This suggests that metropolitan areas can sustain competitive markets with providers remaining viable with a smaller market share than is the case in regional areas, and that the risk of market failure is higher in regional areas.<sup>24</sup>

Figure 5 below provides a breakdown on the number of ESAs and provider contracts per service.

**Figure 5 – Provider contracts per ESA**



<sup>24</sup> DES Program Data.

Any new DES model must be able to ensure broad, continuous and timely services across the country and within specific areas. In areas where this cannot be done, or where existing coverage may cease, the Department will reserve the right to make appropriate and targeted interventions to sustain coverage and ensure adequate servicing. These interventions may include:

- requiring existing providers to expand their coverage within an ESA;
- inviting members of the proposed Panel to provide services in a new ESA;
- reintroducing market share arrangements for one or more specific ESAs, to give providers in areas with low total business, security regarding the share of business they can expect.

These options may be implemented separately, simultaneously or sequentially depending on the specific circumstances and the capacity of providers to respond independently to the prospect of market failure. Triggers for an intervention could include one or a combination of the following:

- the presence of only one or two providers in an region;
- provider collapse;
- undersupply of employment services in an area;
- long waiting times for participants; and
- continued poor provider performance.

Any intervention in an ESA would be regularly reviewed to ensure that it is achieving its objectives, with a view to possibly restoring more relaxed market arrangements at an appropriate time. It is also important to note that 28 DES providers are also jobactive providers and more than 400 DES sites are jobactive sites, while other prospective providers are already supplying other disability services through the NDIS or they may be an ADE. As a result, there is already a broad disability and employment service infrastructure in many areas, and this may diminish the risk of market failure, even in regional areas.

#### **Discussion Point 10: Preventing Market Failure**

1. What specific circumstances should be recognised as market failure warranting intervention?
2. If market share is continued in some areas, how should the level of market share be determined?
3. What interventions should be used to address market failure and ensure service availability?

## Chapter 5: Aligning incentives to support better outcomes

The purpose of spending more than \$800 million per year on the DES program is to help people with disability find and keep sustainable employment. To achieve this objective, the funding model must provide the right incentives for providers to place any participant in a job and do so within the current funding envelope. It must also ensure that all participants are provided with the same opportunities and support services. If a provider is receiving funding to support a participant, then the provider must actually devote resources to supporting that participant. This doesn't always happen.

The current payment model for DES includes service fees, job placement fees, outcome fees (including 'pathway outcomes,' such as participation in training), and ongoing support fees. Service fees are paid to DES providers to deliver services to participants. This funding can be used by DES providers at their discretion to purchase appropriate assistance and services to help DES participants find a job. This assistance may include activities appropriate to each person's needs, such as training, work clothes and equipment, or available supports to addressing their barriers to employment.

Outcome fees are paid to DES providers for participants who remain in ongoing and open employment for at least 13 and 26 consecutive weeks, or remain in qualifying education for at least one semester of a course of two or more semesters. Payment amounts relating to employment would depend upon the participant working at or above the minimum hours in their assessed work capacity bandwidth.

Ongoing support fees are paid to DES providers to assist DES participants that require assistance to maintain their employment, after achieving a 26-week outcome. DES providers can also receive funding to assist people with disability at risk of losing their employment due to their disability through the 'Job-in-Jeopardy' program (Ongoing Support and Job-in-Jeopardy are discussed in Chapter 7).

The Taskforce found that the current funding arrangements do not provide the right incentives and do not adequately link provider performance to revenue. As a result, providers can generate enough revenues to sustain a viable operation by just having DES participants on their caseload, while achieving relatively few employment outcomes for them. To ensure that all providers are seeking to maximise employment outcomes for DES participants, it is proposed that a new funding model be developed that does the following:

- continues to place employment outcomes at the centre of DES;
- gives participants more control over the supports they receive; and
- better aligns provider revenue with provider performance.

This Discussion Paper outlines possible reforms to outcome fees and service fees. More specifically the following measures are proposed:

- introducing a new funding model with 'risk-adjusted' outcome fees; and
- creating long-term outcome payments such as 52-week outcomes.

These measures aim to increase the performance of DES from within the existing funding envelope and are broadly in line with the feedback from the Taskforce consultations. By getting the incentives right for providers by making payments proportional to the difficulty of achieving outcomes through a new risk-adjusted funding model, more people with disability should be assisted to successfully transition into work.

## An outcome-focussed funding model

The DES funding model must provide the right incentives for providers to get any participant into employment. This means that DES must continue to focus on employment outcomes. While there is a need for service fees given the disadvantaged nature of the DES caseload, financially and culturally the DES sector should be focussed on employment outcomes for people with disability.

The balance of payments must ensure that providers cannot survive by simply collecting service fees for those hardest to place in employment while relying on the outcome fees for those job seekers that are easiest to place in employment. In developing these incentives, consideration must also be given to ensuring the financial viability of DES providers that achieve at least the average level of outcomes across the program. This will also have the effect of ensuring performance above the average is financially rewarding for providers, while performance below the average will place providers at commercial risk.

## The balance between service and outcome fees

DES program data suggests that the current funding model is too heavily weighted towards service fees. Approximately 60-70 per cent of total DES expenditure of around \$800 million per year is for services fees, which suggests that many current providers are managing to be financially viable by relying heavily on service fees and so may be insulated from financial risk to their business associated with low achievement of outcomes.

This is possibly the result of the current funding model, which weights service and outcome fees equally. This means that over a 24 month service period, the total available funding attached to a DES participant is roughly split 50:50 between service fees and outcome fees (excluding Ongoing Support service fees) when a 26-week employment outcome is achieved. For example, over a 24 month period a provider supporting a DES-ESS Funding Level 2 participant can receive around \$15,000 in service fees, and if they achieve a 26-week full employment outcome, around \$15,000 in outcome fees (around \$30,000 in total). A DES-ESS Funding Level 1 or DES-DMS participant attracts for a provider around \$7500 in service fees over a 2 year period and a further \$7500 in outcome fees where a 26-week employment outcome is achieved. In practice, quarterly service fees are the majority of payments to providers because employment outcomes are not achieved for many participants.

The ratio between service fees and outcome fees can create a disincentive to pursue outcomes for some clients in public service programs.<sup>25</sup> To ensure the ratio between service fees and outcome fees are not leading to unintended consequences, the balance between the two fee types has to be considered. The effectiveness of fixed upfront payments and outcome-based payments in publicly funded employment services is the subject of a number of international studies.<sup>26</sup> Studies of programs for hard-to-place participants show that high outcome-based payments increase the likelihood of clients being placed into employment for three and six months<sup>27</sup> and have shorter job search durations.<sup>28</sup> Potential negative consequences of

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<sup>25</sup> Tomkinson, E. 2016. Outcome-based contracting for human services. *Evidence Base*, Issue 1. p.12. Available at: [journal.anzsog.edu.au](http://journal.anzsog.edu.au).

<sup>26</sup> Tomkinson, E. 2016. Outcome-based contracting for human services. *Evidence Base*, Issue 1. p.12. Available at: [journal.anzsog.edu.au](http://journal.anzsog.edu.au)

<sup>27</sup> Homrighausen, P. 2014. Differential Pricing and Private Provider Performance. *IAB-Discussion Paper*, 25/2014. Available at: <http://doku.iab.de/discussionpapers/2014/dp2514.pdf>.

outcome-based funding for hard-to-place participants have also been found. An analysis of a full outcome-based contract in the Netherlands (known as “No Cure, No Pay”) found that the funding model increased job placements for some cohorts, compared to its predecessor (“No Cure, Less Pay” contract), but not for those with disability,<sup>29</sup> and found evidence of parking of this cohort.<sup>30</sup> Also, concerns have been raised regarding the long-term effectiveness of outcome-based funding, specifically the sustainability of outcomes.<sup>31</sup>

Most DES participants have a partial capacity to work and multiple barriers to employment that need to be addressed before job placement. The importance of service fees for delivering services to people with disability was noted by a 2013 evaluation of the United Kingdom’s specialised disability employment program, Work Choice.<sup>32</sup> As a result, a higher service fee to outcome fee ratio may be more appropriate for DES, compared to jobactive’s 10:90 split (for hard-to-place participants in Stream C). Furthermore, if outcome fees are too high, this may trigger ‘sharp’ behaviour by providers and employers, aimed at harvesting outcome payments. A ratio must be determined that provides sufficient funding to address a participant’s barriers to employment, allows the provider to be financially viable and gives scope to innovate, but deters DES providers from relying too heavily on service fees to remain viable.

#### **Discussion Point 11: Ratio between service fees and outcome fees**

1. What should the ratio between service fees and outcome fees be and why?

### **Introducing risk-adjusted outcome fees**

Another important question is: how should outcome fees be calculated? The current funding arrangements divide participants into two groups: those who have a temporary disability and are not expected to need further assistance in the workplace through ongoing support, and those that have a permanent disability and are likely to need continuing support after being placed in a job. The former qualify for DES-DMS while the latter qualify for DES-ESS. If a participant qualifies for DES-ESS they are further ranked into two different funding levels based on their level of disadvantage.

Total DES-ESS Funding Level 1 fees are slightly lower than DES-DMS fees despite the permanent nature of its participant’s disability, while DES-ESS Funding Level 2 fees are paid at approximately twice the value of DES-DMS and DES-ESS due to participants being assessed as requiring more intensive assistance. Furthermore, the current method for calculating a funding level has not been updated since 2008. The proposed new funding model (the Model) would have risk-adjusted outcome fees based on a participant’s probability of achieving an employment outcome, with higher payments for achieving outcomes for those least likely to gain employment, and lower payments for achieving

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<sup>28</sup> Lu, J. 2014. The Performance of Performance-Based Contracting in Human Services. PhD Dissertation, University of Maryland. pp.104-5. Available at: <http://drum.lib.umd.edu/handle/1903/15876>

<sup>29</sup> Koning, P & Heinrich. 2010. Cream-Skimming, Parking and Other Intended and Unintended Effects of Performance-Based Contracting in Social Welfare Services. *IZA Discussion Paper*, no. 4801. p.4. Available at: [http://www.iza.org/en/webcontent/publications/papers/viewAbstract?dp\\_id=4801](http://www.iza.org/en/webcontent/publications/papers/viewAbstract?dp_id=4801)

<sup>30</sup> Ibid, p.26.

<sup>31</sup> Ibid, p.28, and Lu. 2014, p.112.

<sup>32</sup> Purvis, et al. 2013. *Evaluation of the Work Choice Specialised Disability Employment Programme*. p.167 Available at: <https://www.gov.uk/government/publications/evaluation-of-the-work-choice-specialist-disability-employment-programme-rr846>

outcomes for those most likely to gain employment. It would use data on outcome rates adjusted for participant and labour market characteristics. The fees would be recalculated at pre-determined intervals within the existing funding envelope, based on program data and taking into account changes to labour markets, client characteristics; and likelihoods of achieving an employment outcome.

The Model would apply to all DES participants and would better reflect the probability of a DES participant achieving an employment outcome, while rewarding the provider for supporting them towards that outcome. In practice, this means that providers choosing to work with clients who have more significant barriers to employment or in more challenging labour markets would be better rewarded for achieving an employment outcome for a DES participant. As a result, these providers may have overall lower outcome rates, but would still achieve viable levels of revenue if they achieve at least the average level of outcomes for such participants. Providers that do better than average should thrive. Other providers who work in less challenging labour markets or with participants with fewer barriers to employment can also achieve viable levels of revenue albeit with relatively higher rates of outcomes, provided they achieve at least average levels of employment outcomes for their participants, given their characteristics and circumstances.

The Model would be more dynamic than the current arrangements. The current funding arrangements are static and do not reflect changes in labour markets or client characteristics. As a result the current funding arrangements may, over time, allocate amounts that have not been adjusted to reflect changes in participant characteristics and circumstances. To address this, it is proposed that the Model be updated annually using the most recent available data to ensure it reflects changes in labour markets and participant characteristics and the relative chances of successful outcomes.

It is expected that the Model would have a number of different funding levels to strike a balance between precision and complexity. The simplest might be a three level model, with one funding level for job seekers that have a relatively high probability of achieving an outcome, one for those with average probability, and another for those with low probability. Table 3 below outlines in simplified terms how the Model is intended to work. It is designed in this way to help ensure that the incentive to achieve employment outcomes for all DES participants is proportionate to the relative difficulty of achieving an outcome, as measured by the likelihood of achieving the outcome based on client and labour market characteristics.



**Table 3: How a risk-adjusted funding model works (illustration only)**

	<b>Job Seeker fee level 1</b>	<b>Job Seeker fee level 2</b>	<b>Job Seeker fee level 3</b>
<b>Probability of achieving a 26-week job outcome</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>
<b>Relative level of 26-week outcome fees attached to job seeker</b>	<b>\$7,500</b>	<b>\$5,000</b>	<b>\$3,750</b>
<b>Average 26-week outcome revenue across 100 participants</b>	<b>\$150,000</b>	<b>\$150,000</b>	<b>\$150,000</b>

The Model minimises any incentives to focus on one group of job seekers at the expense of another, based on how easy or hard it is to get an employment outcome. A provider that focuses on job seekers who are more likely to gain employment (those in the right hand column) should have higher rates of outcomes, but will not achieve higher levels of outcome fee revenue. A provider that focuses on job seekers who are less likely to gain employment (those in the left hand column) will achieve fewer outcomes, but will still achieve the same levels of outcome fee revenue as providers who focus on those for whom it is easier to find employment.

This approach removes any incentives to 'park and cream' – that is to focus on high turnover of easy to place job seekers, while doing little to support those hardest to place. Ultimately, the proposed Model aims to establish better incentives for providers to service all DES participants in a fair and equitable manner that maximises employment outcomes. Because the Model will also adjust for labour market factors, providers working in areas where the local labour market makes outcomes more difficult to achieve will not be financially penalised, and those working in easier labour markets will not gain undue additional revenue unrelated to their own efforts and performance.

### Assessing participants and allocating them to a funding level

This approach requires a robust mechanism for assessing the probability of a job seeker achieving an employment outcome, which would then be used to assign a job seeker to a funding level. A new risk-adjusted funding level tool would use data already collected by Centrelink, the ESAt/JCA and the JSCI to calculate the probability of a job seeker achieving an employment outcome and assign them to a funding level, based on analysis of outcome rates for all job seekers in DES over a period of at least 12 months.<sup>33</sup> Examples of factors that would be used to assess a probability of achieving an employment outcome and allocate a funding level could include, but are not limited to:

- Disability type
- Work capacity
- Work history

<sup>33</sup> DES Funding Level Tool Guidelines v 2.0. Available at: <https://www.dss.gov.au/about-the-department/freedom-of-information/operational-information/disability-employment-and-carers-group/des-funding-level-tool-guidelines>

- JSCI score
- DES volunteer/directly registered
- Age
- Non-English speaking background
- Aboriginal or Torres Strait Islander
- Labour market region of the participant
- Barrier to employment type
- Education
- Ex-offender status

Job seekers with a relatively high probability of achieving an employment outcome, for example, younger job seekers with prior work experience and significant education, are expected to attract a relatively lower level of funding than job seekers with a low probability of achieving an employment outcome, for example, an older job seeker with a criminal record and multiple disabilities. Figure 6 below provides examples of DES participants who have high, average and low probabilities of achieving an employment outcome, and demonstrates the inverse relationship that probability has to the funding level to which they are allocated. Under the Model, Ongoing Support would be assessed independently of the risk-adjusted funding level and would be provided on an as-needed basis.

**Figure 6: Funding Model Case Studies**



Note: This figure is purely illustrative.

This Discussion Paper provides an overview of what a risk-adjusted outcome fee funding model looks like and how it could work. The Government will commission experienced actuaries to build and test the actual model with the Department's support. This work should begin in 2016 and be completed in 2017.

## Short-term and long-term employment outcomes

The Australian economy is evolving. For example, part-time, short-term and casual jobs are relatively more available than in the past. A DES outcome structure that focuses solely on permanent jobs may no longer be relevant to people with disability as temporary jobs become more readily available. As a result, what should constitute a successful employment outcome in a new version of DES? We know that short term job-placements can lead to long-term jobs, so it is worth discussing if incentives should be in place for participants to take up short-term work offers, and if rewards should be in place for providers that support a participant in a job for longer than 26-weeks.

The Taskforce highlighted views that providers were doing a poor job of matching participants to employers. As a result, some employers and participants report they are dissatisfied with DES because they churn through short-term placements that do not lead to long-term outcomes.<sup>34</sup> This feedback was also received by the AHRC's *Willing to Work* inquiry which proposed that 13 and 26-week outcome payments do not provide adequate incentives to achieve long-term outcomes, and recommended introducing longer term outcome payments.<sup>35</sup> DES program data also suggests that the existing 13 and 26-week outcome payments do not always lead to long-term employment outcomes, although 70 per cent of participants who achieve 26-week outcomes are still in work six months later.<sup>36</sup> Improved job matching would significantly increase the likelihood of participants achieving long-term employment outcomes. To help improve matching of participants to employers and sustainability of outcomes, replacing job placement fees with a 4-week outcome payment, and introducing a 52-week outcome payment, would reward outcomes where the initial job match is better and where longer term outcomes are achieved.

On average, over the life of DES since March 2010, a quarter of job placements have not led to 13-week outcomes, and 43 per cent have not led to 26-week outcomes. A 4-week outcome would replace the existing job placement fee, which is currently payable if a participant meets a modest employment requirement of working their employment benchmark within two weeks. Requiring DES participants to have worked their employment benchmark each week for 4-weeks, on average, for the provider to gain the job placement fee, would decrease the incentive to place participants into a job that is unlikely to suit the participant or the employer, but lasts long enough so that the provider generates a job placement fee. The proposed 4-week outcome aims to strike a better balance between taking advantage of a job opportunity versus the incentive to put the right person into the right job.

If a provider has a higher proportion of participants staying in work for 52-weeks, then it is only reflected in the provider's performance rating and the provider does not receive a financial reward. As noted, if a job seeker achieves a 26-week outcome, there is on average a 70 per cent chance that they will stay in work for at least 52-weeks.<sup>37</sup> To further improve the probability of a 26-week outcome leading to a 52-week outcome, it is proposed that some of the funding currently paid for a 26-week outcome be redirected to fund a new 52-week outcome payment.

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<sup>34</sup> Department of Social Services. 2015. *National Disability Employment Framework- Consultation Report*. p.6. Available at: <https://engage.dss.gov.au/disability-employment-framework/consultation-report/>

<sup>35</sup> Australian Human Rights Commission (AHRC). 2016. *Willing to Work: National Inquiry into Employment Discrimination Against Older Australians and Australians with Disability*. p.269-273. Available at: <http://www.humanrights.gov.au/our-work/disability-rights/publications/willing-work-national-inquiry-employment-discrimination>

<sup>36</sup> DES program data.

<sup>37</sup> DES program data.

These changes would reward providers who achieve better job matching and longer term outcomes.

#### **Discussion Point 12: 4-week and 52-week Outcome Payments**

1. What should constitute an employment outcome under DES in a modern Australian economy?
2. How should the DES funding model incorporate the growing number of short term jobs available in the economy?
3. Should the new model replace the job placement fee with a 4-week outcome payment, and how many 4-week outcome payments should be available for each job seeker?
4. How should job seekers be supported in the period between the 26-week outcome and the 52-week outcome?
5. What level of payment should be attached to the 52-week outcome while keeping total DES expenditure within the current funding envelope?

### Payments to support the pathway to employment

DES participants often face barriers to employment in addition to their disability that providers may need to address before they can make a successful transition into the workforce. Service fees are intended to give providers some of the resources required to address the barriers DES participants face in finding and keeping a job. The balance between provider service fees and outcome fees has been outlined earlier in this section. However, the question of how service fees should be structured to complement a risk-adjusted outcome structure should be subject to greater discussion. One of the issues that needs to be considered is the fact that if service fees are also risk-adjusted, they would counteract the impact of risk-adjusted outcome fees, and actually neutralise many of the benefits that risk-adjusted outcome fees generate.

#### **Discussion Point 13: Service Fees**

1. How should service fees work in the context of a funding model with risk-adjusted outcome fees?

### Funding that follows the participant

The current funding model does not adequately link funding to the participant. Currently, DES providers are paid quarterly service fees up-front, and get to keep the entire quarterly payment regardless of the amount of time the participant spends at the provider.

For example, Provider 1 may receive the entire \$1,595 quarterly payment for a DES-DMS participant, but even if the participant changes to Provider 2 after a week, Provider 1 gets to keep the entire payment, while Provider 2 receives only a pro-rated amount of the quarterly service fee of around \$1,450. In practice, this arrangement effectively means that the Government is paying for the same DES participant to be serviced twice by two different providers. It is proposed that service fees should follow the participant and be paid pro-rata based on the number of days the participant spends at each provider.

A similar pro-rata principle could apply to outcome payments. Currently, outcome fees are paid to the participant's DES provider at the point in time when the participant reaches 13 or 26 consecutive weeks in employment. This means, if the participant changes DES provider during the 13-week or 26-week period of employment, the outcome fee is paid to the provider that was delivering DES to the participant at the time the outcome fee falls due. This arrangement does not reward providers who successfully prepare and place job seekers in employment that leads to 13 or 26-week outcomes.

#### **Discussion Point 14: Pro-rata service and outcome fees**

1. How should pro-rata service and outcome fees be calculated?
2. How should pro-rata fees apply in the event that a provider ceases to be a member of the Panel?

#### **Regulation: Increased**

The time required for DES providers to claim fees may increase due to the introduction of the 52-week payment and payments for short-term placements.

## Improving the transition from education to work

One of the best ways to tackle the barriers to employment that people with disability face is to avoid the barriers entirely. It is a common experience for people with disability to finish their education and attempt to join the workforce only to find that barriers to work are insurmountable. One way to avoid this situation is to bridge the gap between school and work so that more students with disability can make a successful transition into the workforce and avoid unemployment. DES currently provides support to a limited group of students with disability to make the transition to work, but there is scope and a desire from the sector to expand this support to more people.

### Payments for more Eligible School Leavers

Generally, full-time students are unable to participate in DES, with the exception of 'Eligible School Leavers' (ESL) who are young people with a disability that is either specifically recognised by the education system or as a DSP recipient. However, because of the restricted criteria, many students with disability are not able to access DES assistance to make the transition from school to work.<sup>38</sup> There is scope to expand eligibility for DES to more students with disability, in particular Year 12 students.

Given that the education of people with disability is fundamentally the responsibility of the education system, it is important to ensure that DES does not duplicate supports that should be provided by schools. In this light, DES could provide transitional assistance to students who are about to leave school and enter the workforce, for example Year 12 students who aren't currently able to access DES. Targeting this group would ensure that DES focuses on its strength in providing employment assistance while not taking over

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<sup>38</sup> For example, they may receive support through a block funding grant rather than an individualised package.

responsibility for educating people from schools or providing incentives to students to transition to work before they have completed their schooling.

This expanded cohort of students could be supported by a specific service fee and employment outcome payment. These new payments would help ensure that students are not simply placed in after-school jobs as any new outcome payment would only be payable when students remained in employment for a specified period of time after they have finished Year 12. Existing payments currently available to ESLs would remain.

**Discussion Point 15: Determining Eligibility and Employment Outcomes for ESLs**

1. Who should be able to qualify under revised assessment criteria for ESL?
2. How could the level of disadvantage and work capacity be assessed for secondary school students?

## Chapter 6: Improved Gateway and Assessment Process

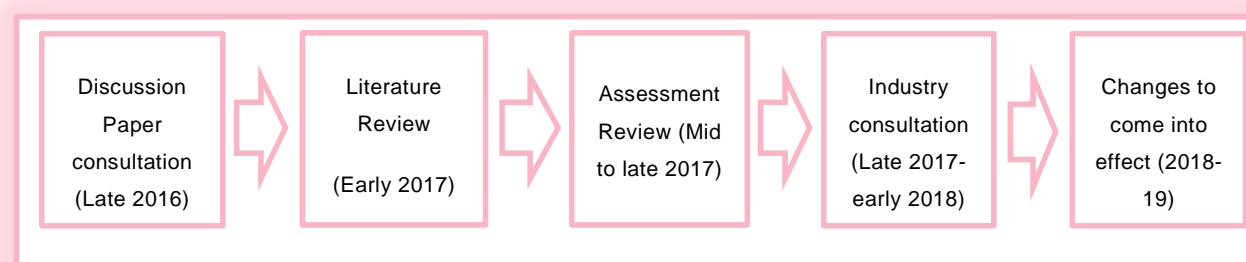
The first interaction most job seekers have with DES is through an assessment process conducted by DHS. The assessment process triages job seekers between DES and other employment services programs, and once in DES, between different funding levels. This is the 'gateway' to DES. The Taskforce heard that there are a number of issues with the current gateway and assessment process and identified several areas of concern.

These concerns include the administration of the gateway and the timeliness and quality of ESATs/JCAs. ESATs help identify the best type of employment service or other assistance that can help someone prepare for, find and maintain work. JCAs perform the same functions as ESATs, but include impairment tables which are used to determine medical eligibility for the DSP and the impact of someone's medical conditions or disability on their ability to work. The impairment tables will not be considered as part of this review process.

No significant changes to the current arrangements are proposed before the start of the new DES program in 2018 in order to maintain continuity of service delivery for participants, providers and employers. Significant stakeholder engagement is needed to review the current assessment approach and determine the specific changes required. In addition, there is a need to consider how any proposed changes will interact with the DSP application process as well as the NDIS and the revised DES funding model. Once this is complete, an IT infrastructure will need to be built to support any changes. All of these tasks cannot be completed prior to the implementation of the new DES model in 2018.

Once the review has been completed, the Department intends to consult with the sector on its proposed way forward with a view to introducing changes incrementally as the new program becomes established. Depending on the findings of the review, it is expected any new gateway and assessment process would be in place by 2019.

**Figure 7: Proposed Assessment Review Process**



### Improving the gateway

An effective gateway and assessment process is critical to ensuring people with disability can readily access employment assistance and employment assistance is correctly targeted. Under current arrangements, most job seekers with disability access DES through DHS where they undertake an initial general assessment. Where this assessment indicates a job seeker has identified multiple or complex barriers to employment that may require further assessment, the job seeker may be referred to an ESAT. DHS will conduct an ESAT to determine the most appropriate employment service for a job seeker with disability based on their individual circumstances. Job seekers may also be referred to DES after undertaking a JCA to determine their eligibility for the DSP. Based on participants' most recent assessment, 22 per cent of DES-DMS participants had undertaken a JCA compared with 30 per cent of DES-ESS participants. It



should be noted that many participants may have had both types of assessment over the course of their participation in DES.

Feedback from Taskforce consultations identified the administrative processes surrounding ESAts/JCAs as a focus of concern for DES providers. In particular, the assessment process was seen as time consuming, cumbersome and confusing for job seekers. A number of respondents complained about the lack of availability of appointments with DHS assessors to undertake ESAts/JCAs and that, even when available, appointments were often too far in the future.

Delivery of assessments is also a key area of concern due to the effect on provider workflow planning and operational arrangements. From a broader perspective the current ESAts build upon work on the design of the then JCAs, which was undertaken more than a decade ago. The ESAt component was separated from JCAs in 2010, with an eye to streamlining delivery. There has not been a systematic review of ESAts since 2009 or in other words, for the entire period the DES program has operated in its current form.

#### **Discussion Point 16: Improving the Gateway**

1. How can gateway arrangements be improved to enable a better connection to employment services for people with disability?

### **Better assessments**

Taskforce consultations found wide ranging criticism of the quality of ESAts/JCAs and the appropriateness of the ESAt/JCA as a tool to determine eligibility. A number of respondents questioned the accuracy of the assessments, citing inconsistencies with the identification of work capacities and inaccurate recording of barriers and interventions. This may be resulting in inappropriate referrals and inconsistent assignment to the different DES streams and funding levels. These issues call into question the *reliability* and *validity* of ESAts. There were also claims that ESAt/JCAs assessment tools lack *utility* because they do not give DES providers enough relevant detail to be able to tailor effective strategies and supports to assist individuals. The Taskforce also heard that assessments needed to be more holistic and focus more on people's capabilities rather than restrictions resulting from their disability.

Concerns were raised about the reliability of assessments by generalist assessors of participants with particular disabilities. For example, in some cases a physiotherapist may be determining the support needs of a person with a mental health condition, while a psychologist may be assessing someone with a physical disability. There were also reports of assessors not having a good understanding of local labour markets and that the requirement for job seekers to provide medical evidence before an assessment prevented job seekers from being rapidly connected with a provider.

The reliability and validity of assessments are fundamental to ensuring that the right people end up in the right employment service at the right funding level. Additionally, the reliability and validity work capacity assessments is also critical as payments are linked to achieving employment outcomes that matches the assessed work capacity. If the work capacity is incorrectly assessed, then participants may end up under-employed or required to undertake work beyond their capacity.

In response to these issues, the Department proposes to undertake a review of the current assessment process, which is to be conducted in two parts. The first part will be a critical



examination of recent international literature on assessment tools, classification instruments and approaches used to assess an individual's work capacity or ability to work. The second part will seek to establish the extent to which ESAt/JCAs are valid and reliable for determining eligibility for employment services, through an independent reassessment of a sample of job seekers.

The purpose of examining the academic literature is to gain an understanding of assessment tools and approaches used in the government and non-government sectors, to assess people's work capacity or ability to work in the context of identifying suitable employment or employment assistance programs. This part of the review will consider published evidence of reliability, validity and utility of assessments using different tools and approaches. Specifically, it will identify existing research on modern assessment tools being used to assess the impact of disability on work capacity and for informing employment assistance for people with disability.

The second part of the review would test the reliability and validity of the current assessment process by looking at a sample of job seekers and the factors considered during their assessment including disability type, qualifications of the assessor, and modes of delivery (for example, face-to-face) and seek to identify:

- the reliability and validity of different ESAts/JCAs methods;
- whether the current assessment process could be made more efficient and less burdensome for the participant;
- other approaches to determine eligibility for employment services and assess work capacity;
- barriers to employment and interventions;
- the role of assessors, including their responsibilities and training;
- the reliability of telephone and video assessments;
- examining the current assessment report for the purpose of identifying opportunities for improvement.

The two parts of the review would be conducted sequentially, commencing in 2016.

#### **Discussion Point 17: Assessments Review**

1. What other aspects of ESAts/JCAs should be examined in the review?
2. Should there be:
  - a. greater separation of ESAts and provider's own assessments, with ESAts focused on eligibility, work capacity and appropriate referral within DES and not extending to suggested interventions?  
OR
  - b. should ESAts be developed and extended to provide more and better information on which providers could base their assistance, with less need to perform their own assessments?
3. How should the revised assessment process fit with other options for DES reforms outlined in this Discussion Paper?

## Chapter 7: Assisting participants in the workplace

Some people with disability need support to help them while they are in a job. DES delivers this service through Ongoing Support for participants who have successfully completed the initial support period for employment and, through Job-in-Jeopardy (JiJ) for people with disability who are at risk of losing their job. Additional supports are provided to people with disability through the JobAccess Gateway and through funding for workplace modifications available through the Employment Assistance Fund (EAF). There is an opportunity to improve Ongoing Support and JiJ. The new JobAccess Gateway and the EAF are beyond the scope of this Discussion Paper.

### Current Ongoing Support arrangements

There are currently two types of Ongoing Support. The first is Flexible Ongoing Support, which is for participants whose needs are likely to be irregular and less predictable, and the second is Moderate and High Ongoing Support, which supports participants that need more regular support to maintain their jobs. Flexible Ongoing Support is paid on a fee-for-service basis, to accommodate as much or as little support as the participant requires. By contrast, Moderate and High Ongoing Support is a fixed payment, and providers must meet the minimum contacts specified for the participant's assessed requirements.

The Taskforce found during consultations with the sector that Ongoing Support should be better tailored to the needs of participants. The AHRC's *Willing to Work* Inquiry also raised concerns about the design of Ongoing Support, recommending that funding should be assessed and linked to the needs of the individual, rather than based on set limits. Options to address this issue could include:

- better incentives for providers to deliver the right level of support by introducing a fee-for-service model for all levels of Ongoing Support;
- a skills review for participants at 12 months of Ongoing Support;
- better targeting of Ongoing Support by bringing forward the first independent Ongoing Support Assessment; and
- requiring the participant to be working a minimum number of hours to be eligible for Ongoing Support.

These options would make Ongoing Support a better targeted and effective program by allowing more people to access its services at the right time. Ultimately, these proposals should help keep more people with disability in jobs, and reduce the number of people moving back onto DES after time in the workforce.

### A fee-for-service model for all levels of Ongoing Support

The fixed-payments model used in Moderate and High Ongoing Support may create incentives for providers to deliver only the minimum amount of Ongoing Support required for the fee, even where there is a need to deliver additional support. Conversely, the Department has received feedback that the minimum contact requirements set under the fixed payment model encourages providers to deliver unnecessary contacts to meet the requirements and receive a payment.

Introducing a fee-for-service model for all levels of Ongoing Support, within funding caps to minimise the risk of excessive servicing, would create incentives for providers to only deliver the level of support required by the participant. It would also increase flexibility and allow for support tailored to the participant's needs. For example, some participants may require more support upfront when changing job responsibilities. For participants that need regular support, minimum contact requirements and minimum hours of support may be maintained, and requirements would be determined through an independent Ongoing Support Assessment.

The fee-for-service proposal builds on the policy changes that flowed from the Ongoing Support and Job Plan trial. Providers would continue to have flexibility to deliver Ongoing Support contacts to participants by phone, video conference, email, instant chat, and face-to-face. The Department's IT System includes functionality for providers to record contacts; however, this is only required for Flexible Ongoing Support. Under this proposal, providers will be required to record all instances of Ongoing Support in the Department's IT System to claim a payment.

### A skills review after 12 months in Ongoing Support

In line with the Ongoing Support and Job Plan trial arrangements, it is proposed that DES providers review the participant's skills every 12 months in employment during the Ongoing Support phase to determine any need for up-skilling or multi-skilling. This initiative will help DES participants maintain their competitiveness in the workforce and build their careers over time. In the long run this should help people with disability maintain their jobs and provide a foundation for increasing their wages into the future.

### Better targeting of Ongoing Support

Under current arrangements, DES providers determine whether participants need Ongoing Support, and the level of that support. It is only when the participant has reached 52 weeks of employment (while receiving Ongoing Support) an independent Ongoing Support Assessment is conducted. The majority of DES participants placed in employment exit DES before having an Ongoing Support Assessment. This means around 2,000 people exit DES, per month, as independent workers, without being assessed for their need for additional support in the workplace. It is possible that many of these people exit the workforce and return to DES. The DES Evaluation report also found that many of these exits occurred just four weeks prior to an independent Ongoing Support Assessment.

Based on this information, there is merit in considering introducing an independent Ongoing Support Assessment at the 26-week employment milestone for those participants that cannot be exited as independent workers. This change would help ensure that all participants entering Ongoing Support get the benefit of having an independent assessment. Bringing forward the first Ongoing Support Assessment may also reduce the need for subsequent assessments, and consideration could be given to increasing the assessment interval in all cases from 52 weeks to 78 weeks.

### Minimum working hours while in Ongoing Support

Ongoing Support Assistance is available to DES Participants who have achieved a 26-week employment outcome, are currently employed, and who require the services of a DES provider to retain or maintain their employment. The minimum hours needed to achieve a 26-week employment outcome is eight hours per week. However, once in Ongoing Support

Participants have no minimum hours of work requirement and there is little incentive for providers to deliver Ongoing Support to participants at their capacity despite being paid at the full rate. For example, if a DES participant is capable of working at least their benchmark hours of 23 hours a week, the provider can continue to receive full Ongoing Support fees for supporting them in a 1-7 hour job and not in a job at their capacity of 23 hours a week. Introducing a minimum benchmark of eight hours for Ongoing Support eligibility would ensure that Ongoing Support is targeted at those who are in work that meets the minimum hours required to achieve a 26-week employment outcome. Participants that are working less than eight hours a week would be able to recommence in DES to support them into a job at their benchmark hours.

#### **Discussion Point 18: Ongoing Support**

1. Should the fee-for-service funding model specify minimum contacts and hours of support?
2. What minimum servicing requirements should there be for each level of support?
3. How should payments be determined for each level of support?

### **Job-in-Jeopardy Assistance (JiJ)**

Some people need additional support even though they are already in a job. Job-in-Jeopardy assistance is a program that provides employment support to people who are at risk of losing their job due to disability, illness or injury and helps stabilise their employment so they can stay in work. Unfortunately, overall participation in JiJ is declining, with the number of people with disability commencing in JiJ having halved from nearly 100 per month in 2010 to less than 40 commencements per month in 2016. There is no evidence to suggest this is due to fewer people with disability being at risk of losing their job.

Feedback from providers and the Taskforce consultations suggests a need to better to identify and support people with disability who would benefit from JiJ. Based on this feedback there is a need to address the following:

- the low take up and awareness of JiJ services;<sup>39</sup>
- the current fee and outcome payment structure;
- poor targeting of support to people whose jobs are at risk;
- the name 'Job-in-Jeopardy' may be a deterrent to employers accessing its services; and
- JiJ appears to duplicate Ongoing Support.

For example, DES providers have raised concerns that the name 'Job-in-Jeopardy' presents a barrier to effective marketing and should be changed. Employers of people with disability have reported that they are hesitant to use JiJ because of concern with perceived legal ramifications associated with stating an employee's 'job is in jeopardy' due to their disability. This is consistent with the findings of the Evaluation of Disability Employment Services 2010-13, which found the name 'Job-in-Jeopardy' was inappropriate and did not reflect the positive intent of JiJ policy.<sup>40</sup>

<sup>39</sup> Of employers who had used DES, only around 8 per cent were aware of JiJ Assistance.

<sup>40</sup> Department of Employment. *Evaluation of Disability Employment Services 2010-2013: Final Report*. pp. xii-xiii.

Available at: <https://www.dss.gov.au/our-responsibilities/disability-and-carers/publications-articles/policy-research>

JiJ also appears to duplicate Ongoing Support. Both JiJ and Ongoing Support are designed to provide support in the workplace for people with a disability, injury or health condition to maintain their employment. Over half of the current JiJ caseload is in Ongoing Support to assist participants to stay in employment after initial JiJ has been delivered. There could be benefits in merging both programs by expanding the scope of Ongoing Support to include early engagement of people with a disability who are already in employment and require assistance to maintain their employment. This would require all participants registered for JiJ, to have an Ongoing Support Assessment shortly after commencing in DES. This would identify, during the early stages of servicing, the level of assistance required to ensure a participant is able to maintain their employment.

**Discussion Point 19: Job-in-Jeopardy**

1. How can we better define when someone's employment is considered to be at risk due to their disability?
2. How can we increase employer awareness of JiJ?
3. Does the current fee structure reflect the services being provided and outcomes being achieved?
4. What is a more appropriate name for Job-in-Jeopardy?
5. If a JiJ participant chooses not to disclose their disability to an employer, how should providers assist them in the workforce?
6. Should the JiJ service be integrated with Ongoing Support?

## Chapter 8: Building Employer Demand

Employers are a critical element of the DES program. Ultimately, participants and providers will not be able to succeed without an employer that is willing to take on a person with disability as an employee. While there are many factors that influence the availability of jobs and the willingness to hire an extra person, people with disability face additional challenges finding and keeping a job.

In particular, it has been reported that many employers do not appreciate the value a person with disability can bring to their organisation. For example, a 2012 survey of employers found a greater resistance to the idea of hiring a person with disability than to hiring a person from the other groups in society. When asked about their willingness to consider job applicants for future vacancies, a random sample of employers responded as follows:<sup>41</sup>

- mature-age job seekers—90 per cent willing;
- parents returning to the workforce after a long-term child care—89 per cent willing;
- very long-term unemployed people—71 per cent willing; and
- job seekers with disability—54 per cent willing.

A significant proportion of employers could see no benefit, that is, no business case for employing a person with disability (38 per cent) or a very long-term unemployed person (35 per cent). Perceived barriers relating to disability included: physical inability to perform the role, safety concerns and difficulties involved in adapting the physical work environment, such as installing lifts to make a worksite wheelchair accessible. Larger businesses were more likely than small and medium businesses to see benefits in employing people with disability, including the benefits of workplace diversity.

To address these issues, the Government is proceeding with several initiatives aimed at better engaging employers. They aim to encourage employers to consider people with disability as potential employees, highlighting the genuine positives and benefits of employing a more diverse workforce, along with creating greater understanding of the realities of disability and dismantling negative stereotypes. These initiatives include:

- trialling employer-nominated initiatives aimed at identifying innovative and effective solutions to employing people with disability; and
- implementing targeted disability employment communications, education and awareness raising and employer engagement activities.

These measures aim to stimulate demand for people with disability as employees and to reduce the barriers to employment they face in addition to those imposed by their disability.

### Trial of Employer Initiatives

To identify and develop innovative projects for employing people with disability, the Government will support several projects based on proposals developed by employers. The intention is to enable employers to demonstrate and share their innovative practices in recruiting and supporting people with disability in work, as examples that others might

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<sup>41</sup> *Business Use of Government Employment Services (Employer) Survey*, conducted by Orima Research on behalf of the then Department of Education, Employment and Workplace Relations.

draw on and learn from. This initiative will complement existing employer focused supports like wage subsidies and the Employment Assistance Fund (EAF). Employers will also be able to access support from other programs including DES. Further information on the initiative will be made available in early 2017 through the JobAccess website - the national hub for workplace and employment information [www.jobaccess.gov.au](http://www.jobaccess.gov.au).

If an employer wants to hire a person with disability, or to support an existing employee with a disability, it can be difficult for them if they do not know where to start. The DES program or a DES provider should be their first point of contact in hiring a person with disability. Further, it is important to ensure that employers already working with a DES provider have a good experience and want to take on more people with disability in future. Taskforce consultations heard that more could be done in communicating with employers about the benefits of hiring people with disability and to raise awareness of the supports available to them through DES.

A new DES communications strategy would target employers and include a variety of awareness raising activities, building on the JobAccess service as the national hub, and key messaging of 'driving disability employment'. The communications will recognise best practice in disability employment, and promote this to other employers and the broader sector and seek to raise awareness about the benefits people with disability as employees can bring to employers.

Part of this strategy could include co-sponsoring an existing disability employment award such as the Australian Ability Awards or the Australian Human Resource Institute (AHRI) Disability Employment Awards. The Ability Awards are led by business, for business and they aim to highlight the benefits to the community and employers by hiring people with disability. The AHRI Awards recognise organisations and individuals who demonstrate excellence in disability employment.

The Department will communicate with employers using the JobAccess website as the platform, and employers will be encouraged to volunteer targets for disability employment in their own organisation. Employers that volunteer targets will be promoted as exhibiting good practice in disability employment, and their progress and strategies to improve opportunities for people with disability will be shared publicly through JobAccess, linking employers to supporting resources.

As a result of these new communications initiatives, more employers should be open to considering employing people with disability, and misconceptions some employers have around disability, including concerns about hiring a person with disability, should be reduced. The Department will also work with the employment and disability sectors to create and champion a broader employer-driven strategy to promote and increase workplace participation for people with disability.

## Chapter 9: Transitioning to a new model

The proposed new DES framework offers substantial improvements on the existing DES arrangements; however, the move to a new model will need diligent monitoring to ensure a smooth transition for participants, providers and employers.

To facilitate this process, the following principles will be considered for the transition to a new model of disability employment services:

- The transition arrangements must cause minimal disruption to participant's existing service arrangements.
- New transition activities must support the timely commencement of the new model on time in March 2018.
- Transition activities must be consistent with the design of the new model, while existing contractual obligations must be honoured.

The aim of these principles is to minimise the risk of disruption while ensuring that providers are not faced with excessive red tape and complexity in order to complete the transition process.

More comprehensive transition arrangements will be developed for the sector once the structure of the new model of DES is finalised.

### **Discussion Point 20: Transition Issues**

1. How can we ensure that DES providers continue to provide quality services to participants towards the end of the current contracts?



## Chapter 10: Next Steps

Consultation on this Discussion Paper is an opportunity to contribute on some of the specific elements of a new model of DES.

You are invited to contribute to this discussion by visiting our website

<https://engage.dss.gov.au/>.

Alternatively, hard copy submissions can be sent to:

Disability Employment Services Reform 2018  
GPO Box 9820  
CANBERRA ACT 2610

If you have questions about this process you can email the Department at:

[DESReform2018@dss.gov.au](mailto:DESReform2018@dss.gov.au)

You may make a written submission on the proposed model for disability employment until the end of the consultation round in December 2016.

### Reference Group

As part of the consultation and policy development co-design processes, an expert reference group will be established comprising of peak disability employment organisations representing participants, providers and employers.

These organisations may wish to run their own consultation processes with their members in addition to the Department's formal consultation process being run through the

<https://engage.dss.gov.au/> website.

## Timeline

	Activity	Description
November 2016	Discussion Paper released	This discussion paper outlines proposed changes to reform DES. Questions are posed to generate discussion on specific proposals or issues.
November - December 2016	Consultation Round and Reference Group Meetings	A website ( <a href="https://engage.dss.gov.au/">https://engage.dss.gov.au/</a> ) has been established to seek feedback and discuss the questions raised in the Discussion Paper. A reference group will be established to aid the co-design of a new DES framework.
First half of 2017	Finalisation of new DES framework	Taking into account feedback from the consultation and co-design processes, the Government will finalise the design of a new DES framework.
Mid-2017	Announcement of new DES framework	Formal announcement of new DES framework and procurement process.
March 2018	Beginning of new DES framework	New DES framework commences.

## Glossary

<b>Term</b>	<b>Description</b>
<b>ABS</b>	Australian Bureau of Statistics
<b>ADE</b>	Australian Disability Enterprises
<b>AHRC</b>	Australian Human Rights Commission
<b>DEN</b>	Disability Employment Network
<b>DES</b>	Disability Employment Services
<b>DES-DMS</b>	Disability Employment Services – Disability Management Service
<b>DES-ESS</b>	Disability Employment Services – Employment Support Service
<b>Disability</b>	Includes sensory impairment, physical impairments, learning disabilities, mental health conditions or behavioural conditions
<b>DHS</b>	Department of Human Services
<b>DSS</b>	Department of Social Services
<b>EAF</b>	Employment Assistance Fund
<b>ESA</b>	Employment Service Area
<b>ESAt</b>	Employment Services Assessment
<b>ESL</b>	Eligible School Leaver
<b>JCA</b>	Job Capacity Assessment
<b>JiJ</b>	Job-in-Jeopardy
<b>jobactive</b>	The Government’s mainstream employment services program
<b>JSA</b>	Job Services Australia
<b>JSCI</b>	Job Seeker Classification Index
<b>NDIA</b>	National Disability Insurance Agency
<b>NDIS</b>	National Disability Insurance Scheme
<b>NSA</b>	Newstart Allowance
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>Ongoing Support</b>	Support provided to DES participants once they have achieved a 26-week employment outcome
<b>SDAC</b>	Survey of Disability, Ageing and Carers
<b>The Deed</b>	The agreement with providers to deliver DES until March 2018.
<b>The Model</b>	The proposed funding model with risk-adjusted outcome payments
<b>The Panel</b>	The proposed DES Provider Panel
<b>The Strategy</b>	The National Disability Strategy 2010-2020
<b>The Taskforce</b>	The Disability Employment Taskforce
<b>VLTU</b>	Very Long Term Unemployed
<b>VRS</b>	Vocational Rehabilitation Service
<b>YA</b>	Youth Allowance