



REPORT

DES and the NDIS: opportunities for portfolio wide savings

*Prepared for
Jobsupport*

Originally prepared 19 August 2015

Updated 4 March 2016

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*Summary*¹

An opportunity....

- The movement of NDIS and DES (along with the Disability Support Pension) into a single portfolio, and the expected ‘dovetailing’ of DES and NDIS services, provides a historic opportunity to realise substantive savings for the taxpayer while delivering valued outcomes to NDIS and DES clients.
 - Despite being administered by an independent authority, the Commonwealth Government bears most of the risk for cost overruns in the NDIS, so this is of particular interest for gatekeepers of the Commonwealth Budget.
- These opportunities are particularly stark in the case of people with a moderate intellectual disability (MID).
- The open employment pathway involves considerably less cost to the taxpayer than the alternative post-school pathways (Community Participation or Australian Disability Enterprises) for persons with MID.

...with substantial savings...

- Within MID, an effective Transition to Work (TTW) program combined with the benchmark DES services provided by Jobsupport offers significant savings.
 - Annual net savings range from \$10 million to \$28 million across Sydney, Melbourne and Brisbane.
 - Potential savings are between \$18 million and \$53 million a year across all of Australia.
 - This represents a saving of between 40 and 70 percent. This is a substantive proportional gain in a world of increasingly tight government budgets.
 - Over a 40 year time frame, Australia-wide savings (in present value terms) range from \$308 million to \$916 million.
 - Streamlining TTW programs could achieve additional saving of \$45 million over 40 years.

...and a number of challenges...

- Achieving these savings requires careful attention to a number of key factors including:

¹ This 4 March 2016 version is a minor revision to the 19 August 2015 report originally prepared for Jobsupport. It contains minor corrections to numbers in table 3.3. This has no effect on the overall findings.

- Dealing with self-fulfilling low expectations
- Building on positive incentives introduced within DES
- Removing current disincentives for high performance built into DES

...including making a consumer driven model really work

- Making a consumer driven model really work by recognising that providing DES services to clients with MID is a specialist activity.
 - Put simply, not everyone can do it. Careful thought needs to be given to extending the best performing services.
 - Current best performance should be treated as an achievable benchmark.
 - Both DES and the NDIS should seek to build on practices that have actually been demonstrated to work.
- Without grappling with these issues, the consumer driven model will not work and will degenerate into a cycle of self-fulfilling low expectations.

1 Introduction

‘Having the NDIS cheek-by-jowl with DES in the one portfolio provides some good opportunities.’ (Senator the Hon. Mitch Fifield).

A broad vision...

A recent speech by the Minister sets out a broad vision for the intersection of NDIS and DES — with the NDIS providing funding and support for daily living in the framework of an individual plan (which, in appropriate cases, would include employment as part of that plan) dovetailed with a reformed DES providing consumer driven employment services.

The broad vision is compelling; not only humane for the life satisfaction of clients, but also economically efficient through the generation of genuine employment opportunities leading to benefits for the whole community.

...and a big challenge

There are, however, substantive challenges to achieving this vision on both the ‘demand’ and ‘supply’ sides of the consumer driven disability support system.

A fundamental issue on the demand side is the question of expectations — how a reasonable expectation of positive employment outcomes can be nurtured and sustained. Without this, there will be no demand for DES services and therefore no ability for it to integrate with an individual life plan.

Closely related to this is the question of transition to work pathways. Transition to work is, in a real sense, about correcting poor and self-fulfilling low expectations by removing individual barriers to employment. Understood correctly, TTW must be an essential component of an individual plan. Without it, there can ultimately be no consumer choice.

On the supply side, the issues are similarly complex. The simple fact is that there is only one provider that delivers satisfactory employment outcomes for people with MID and that attempts to train others have met with limited success. A consumer driven model with no genuine choice between suppliers is not a consumer driven system at all.

Given that in 30 years of the DES program only one provider has proved competent in delivering outcomes for persons with a moderate intellectual disability, developing a market of competent suppliers in response to consumer demand only is unlikely to be

achieved unless the program is able to build on what has been demonstrated to work to date.

MID: a case study

This report is particularly concerned with clients with moderate intellectual disability (MID). The majority of persons with MID automatically qualify under the NDIS and some are currently provided with employment services through DES. The NDIA December 2014 quarterly report noted that 23% of approved packages were for people with Down Syndrome or some form of intellectual disability.

MID therefore provides an excellent case study of how NDIS and DES are to be dovetailed.

A first dovetailing issue: definitions

Ironically, the first issue in dovetailing NDIS and DES relates to definitions of MID. IQ 55 points or less and severe deficits in adaptive functioning is identified under the NDIS as 'permanent impairment/functional incapacity – no further assessment required'. People with an intellectual disability above 55 are classified as 'permanent impairment/functional capacity variable – further assessment of capacity required'.

An IQ \leq 60 is the DES definition of moderate intellectual disability and reflects the \pm 5 error margin recognised for IQ scores. The US Department of Social Security uses an IQ $<$ 60 for automatic pension eligibility purposes. It would be useful if the NDIS brought their definition into line with the DES definition. In particular, this would allow the tracking of results over time across the two programs.

What's at stake

The combining of DES open employment services, the NDIS (including ADEs and Community Participation) and the Disability Support Pension within the one department has created an historic opportunity.

An investment in effective DES and Transition to Work (TTW) services has the potential to achieve significant savings for DSS and the taxpayer while at the same time improving employment outcomes for people with a moderate intellectual disability (MID).

Importantly, despite being administered by an independent agency, under the NDIS agreements with the States, the Commonwealth government bears the majority of risk for cost increases overtime. Finding effective net savings in providing employment services is of particular interest for the Commonwealth Government, especially in times when budget restraint is required.

What is needed to achieve these savings?

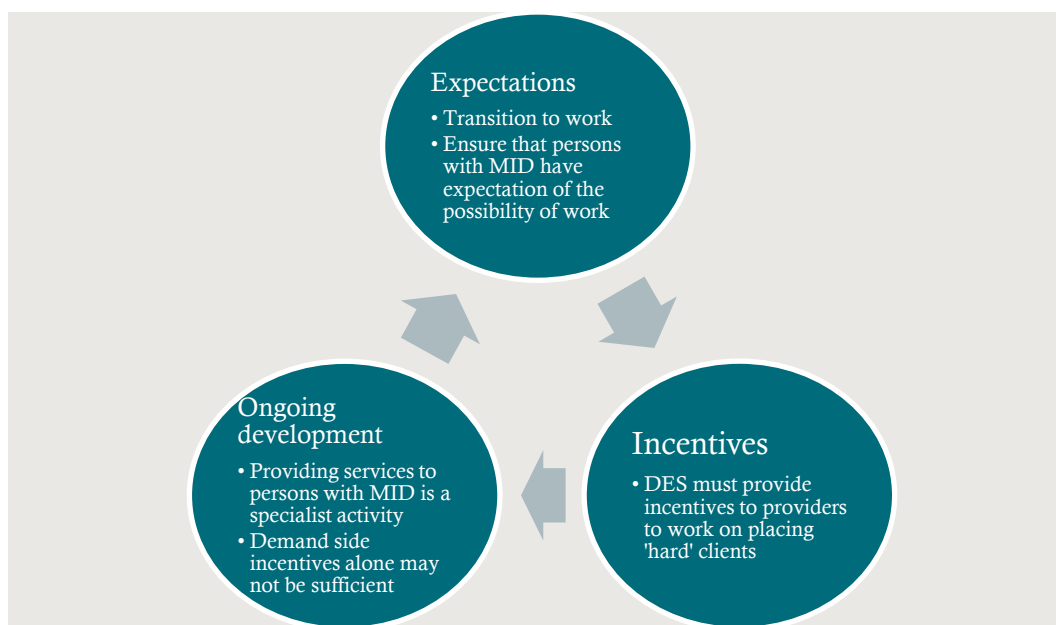
As the Productivity Commission has argued, re-entry into the workforce has the potential to lead to substantively lower costs in providing services to persons with a disability. For this potential to be realised, however, persons with a disability — including persons with a MID — must be encouraged into the workforce, placed into a customised position earning good wages, and maintained there over a period of time.

The NDIS and DES together constitute the major policy means of encouraging persons with a disability to enter the workforce and play a fulfilling role, and in maintaining this employment on an ongoing basis.

The effective operation of NDIS and DES requires that three overlapping issues are dealt with.

- Managing expectations and encouraging — through appropriate Transition to Work (TTW) programs — persons with MID (and their families) to have an expectation first that some form of transition (in cases of clients that have barriers) is appropriate and second that placement in the workforce is a realistic option.
- Maintaining incentives under DES for providers to take on the ‘hard cases’; that is, to deliver employment outcomes to persons with MID who might not otherwise achieve employment outcomes. While performance monitoring under DES has improved recently, there is still scope to improve incentives.
- Provide the means to encourage the ongoing emergence of excellent providers in delivering employment services to persons with MID. The available evidence suggests that effectively providing services to persons with MID is a specialist activity that very limited number of organisations are able to provide (DEEWR 2013). In contrast, some of the thinking behind the NDIS presumes that the demand for these services will automatically lead to their development. This report argues that this is not necessarily the case.

1.1 Three interrelated issues for NDIS and DES

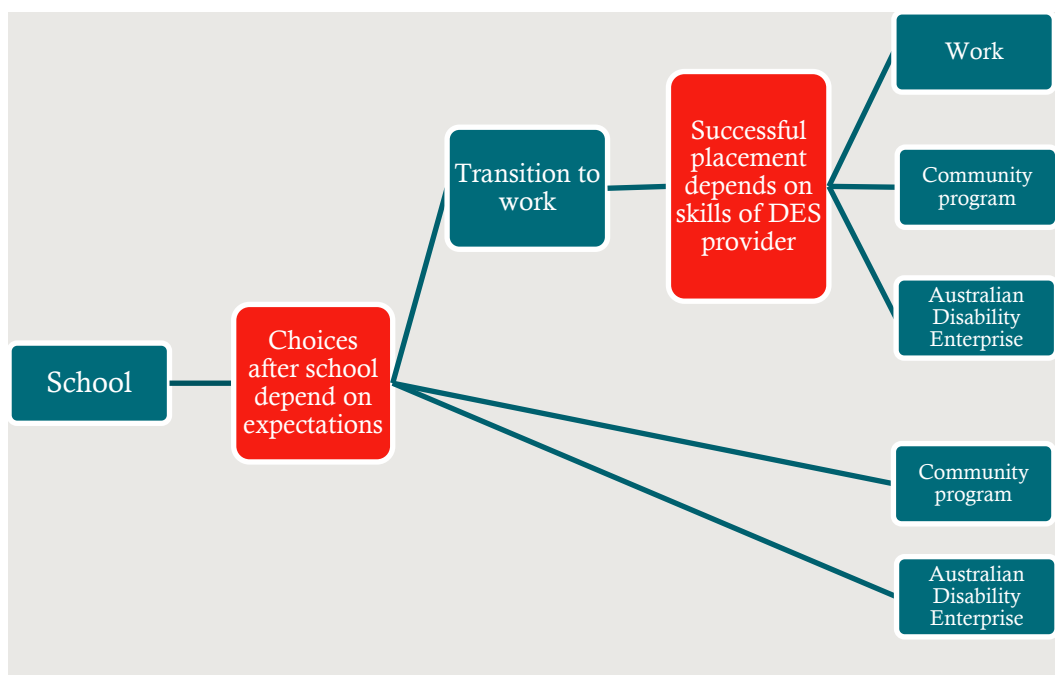


These three issues arise at two crucial points in the pathway to work for persons with a disability (chart 1.2). The first of these are the decisions made in the final years of school, and immediately after, about the future of the individual. A choice to proceed to a TTW or DES program (rather than directly to a Community Participation program or an ADE) will depend, to a large degree, on expectations of the individual and their family. As will be argued further in this report, low expectations are a serious barrier to successful employment outcomes. Without confidence to proceed down an employment pathway, families will not be able to sensibly choose.

Following successful completion of TTW, sustained employment outcomes require the services of an experienced DES provider with a measured and demonstrated track record. Success is not guaranteed, of course, but as will be argued further below there are demonstrable techniques that substantially improve these outcomes.

Until both of these issues (low expectations and the need for an experienced DES provider) are effectively dealt with, the consumer choice model that underlies NDIS will simply not work. Indeed, there is no evidence around the world that consumer choice *alone* is able to lead to good outcomes for people with a moderate intellectual disability.

1.2 Getting the savings requires a number of successful steps



This report

This report considers the implications of these issues for the development of NDIS, and the interaction of NDIS with DES. The argument is structured as follows:

- Chapter 2 considers the documented performance of Jobsupport and suggests that it creates a realistic benchmark against which to measure achievements. This chapter sets out the potential savings to the taxpayer that would arise through achieving this benchmark level of performance across all MID employment services.
- Chapter 3 considers three specific challenges in integrating NDIS and DES including
 - dealing with low expectations
 - properly understanding TTW
 - building on recent positive changes in DES
 - removing disincentives for good performance that remain within DES
- Chapter 4 considers what would be needed to make the consumer driven vision of NDIS actually work; focusing on the demonstrated need for more high performing service providers on the supply side.
- Chapter 5 offers some broad conclusions.

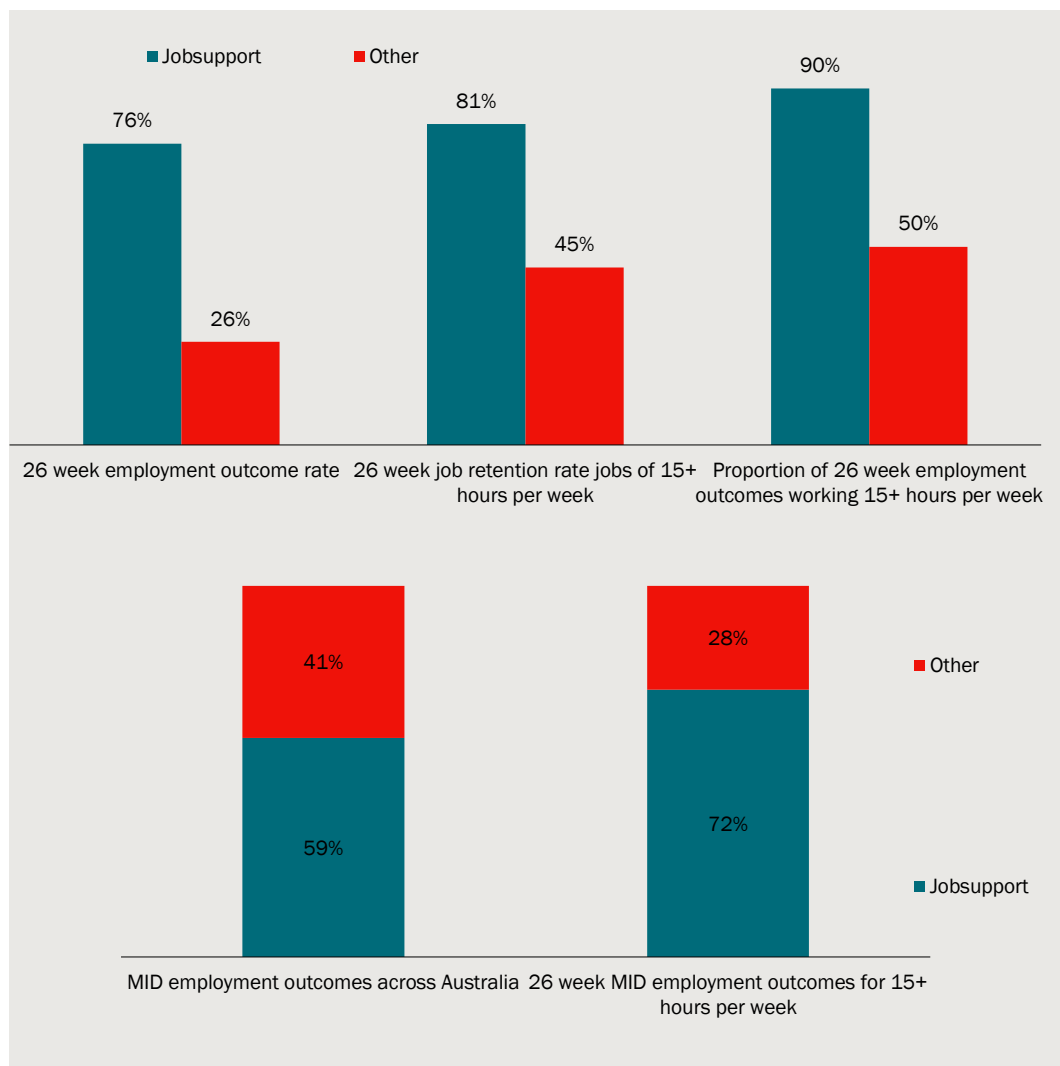
2 *Jobsupport: setting a benchmark; delivering savings*

Jobsupport's relative performance

Jobsupport is a proven performer in delivering employment services to persons with MID.

Chart 2.1 summarises some broad recent outcomes. It is clear that Jobsupport performs well in excess of other providers in this space.

2.1 Summary of Jobsupport performance indicators



Data source: DEEWR 2013 Evaluation of the Moderate Intellectual Disability Loading

According to the DEEWR (2013):

- Jobsupport was the only service in Australia placing significant numbers of people with a moderate intellectual disability. Jobsupport was responsible for 59% of all the 26-week MID employment outcomes achieved across Australia and 72% of the 26-week MID employment outcomes where the client worked for 15 hours or more per week.
- Jobsupport's 26-week MID employment outcome rate was 76% whereas the average for other providers was 26%. Jobsupport's MID job retention to 26 weeks for jobs of 15 hours or more per week was 81% whereas the average for other providers was 44.8%.
- Ninety percent of Jobsupport's MID 26-week employment outcomes worked 15 hours or more per week whereas the average for other providers was 50%.

Understanding what works

Jobsupport's performance is replicable. Its success relies on identifying evidence based best practice for people with MID and then carefully implementing this best practice. It is essentially based around adoption of approaches that are evidence based and that have been proved to work in Australia and overseas.

A number of factors underlie Jobsupport approach to evidence-based methods:

- The CEO completed a Master's Degree project that examined the pioneering US open employment services for people with MID;
- The CEO studied the early pioneering programs on a teaching service fellowship and continues to visit the best performing overseas programs every two to three years;
- All Jobsupport managers have a minimum of ten years' experience placing people with MID into open employment and have completed a graduate certificate that Jobsupport developed in conjunction with Sydney University; and
- Jobsupport evaluates all aspects of its program against outcomes and has been refining its service for nearly 30 years

Jobsupport's marketing approach to achieving a high placement rate provides an example of the application of evidence based practice in one aspect of its program

Jobsupport has a placement rate of 92 per cent, compared with 53 per cent for other MID services (see DEEWR 2013). This significant difference is explained by Jobsupport's evidence based job search process.

Jobsupport undertook comprehensive market research in 1997 to identify:

- the reasons why employers chose to employ persons with MID (the 'benefit proposition');
- the characteristics of the employers who employed persons with MID; and
- the 'buyer process': who within the organisation made the decision to employ.

The findings from each of these elements of the market research are used (along with ongoing experience) to structure the job search process.

For example, the market research identified a number of ‘benefit propositions’ for employers including releasing experienced staff from routine tasks, reducing task avoidance and generally more effectively undertaking routine tasks. Information on this benefit proposition is used as the basis for telephone marketing; offering a real benefit proposition to employers given the context of what the company does with particular reference to similar experience.

Similarly, the market research identified larger employers as being more likely to be able to customise positions with more hours of work available. This allows more carefully targeting of potential employers.

Finally, research into employer decision making indicated that it was typically branch managers and department managers who employed Jobsupport clients. Managers at this level knew about the routine task needs that could be solved by a Jobsupport client. This allows further targeting of marketing calls to potential employers.

Potential savings

If Jobsupport outcomes could be reproduced across Australia, there would be substantial savings in terms of avoided cost from other post school pathways.

Jobsupport supported 604 persons in Sydney in June 2014. Using the ratio of this number to the working age population, and applying that ratio other capital cities, and Australia in total, we can infer the potential number of clients that a service of Jobsupport’s standard would be able to assist. This is shown in table 2.2. These numbers are an illustrative end point; clearly a service such as Jobsupport would need to expand steadily over time to maintain performance levels.

2.2 Potential clients per year

	Working age population	Potential number of clients
Sydney	2,958,797	604
Sydney incl Wollongong	3,134,623	640
Melbourne	2,887,163	589
Brisbane	2,054,082	419
Perth	1,305,778	267
Adelaide	807,113	165
Australia	15,198,320	3,103

Source: CIE estimates, Jobsupport, ABS data from DEEWR

Each of these clients has three possible work outcomes each with different costs to the taxpayer:

- To move through a Transition to Work program (TTW) and then subsequently enter open employment with a successful service such as Jobsupport.
 - As of June 30 2014, the net annual cost to the taxpayer of Jobsupport’s Sydney specialist DES open employment service for people with a moderate intellectual disability is \$3,980 per annum after accounting for Disability Support Pension reductions
- To enter into a Community Participation (CP) program.
 - the cost to the taxpayer of a NSW CP program is estimated at \$24 565. Recently, the Productivity Commission used a cost of \$15 000 for a CP program.
- To move into an Australian Disability Enterprise (ADE).
 - The annual cost of an ADE per year is estimated at \$13 137².

Even after accounting for TTW costs (which are on average around \$3 300 per client currently employed) it is clear that open employment is by far the cheapest option.

Table 2.3 illustrates the potential annual savings when these cost differences are applied to the population estimated in table 2.2. Three alternative comparisons are presented; saving compared with NSW CP, savings compared with CP at the cost used by the Productivity Commission, and savings compared with ADE.

2.3 Potential annual savings

	Compared with NSW CP	Compared with PC CP	Compared with ADE
	\$m	\$m	\$m
Sydney (excl Wollongong)	10	5	3
Sydney , Melbourne and Brisbane	28	13	10
Australia	53	24	18

Note: Savings are net of TTW costs. Savings relative to ADEs likely to be greater.

Source: CIE calculations, Jobsupport

These cost savings are large both in absolute and relative terms. Outcomes from Jobsupport are 70 per cent less costly than from NSW Community Participation programs (or 51 per cent less costly than Community Participation programs as costed by the Productivity Commission) and 44 per cent less costly than ADEs. That is, provision of employment services that achieve the standards of Jobsupport could lead to cost savings of between 44 and 70 per cent of what would otherwise the case. In the three largest capital cities, this translates to between \$10 million and \$28 million per year. Australia-wide, it translates to between \$18 million and \$53 million per year.

Table 2.4 presents the present value, over 40 years, of these annual savings. 40 years is chosen as it is the same period used for the *Intergenerational Report*. This calculation as presented assumes that the number of clients with MID remains the same. This is likely to be an understatement, however as the number supported in employment by

² It would be reasonable to expect that this cost will increase in the future due to recent industrial relations changes.

Jobsupport’s Sydney DES service is still increasing and has risen by an average of 20 people with MID each year since the introduction of Case Based Funding.

2.4 Present value of 40 year savings

	Compared with NSW CP	Compared with PC CP	Compared with ADE
	\$m	\$m	\$m
Sydney (excl Wollongong)	178	79	60
Sydney , Melbourne and Brisbane	487	216	164
Australia	916	407	308

Note: Savings are net of TTW costs. Savings relative to ADEs likely to be greater. Uses 5 per cent real discount rate. Accounting for growth in the underlying population would increase each of these values by around 45 per cent.

Source: CIE estimates, Jobsupport

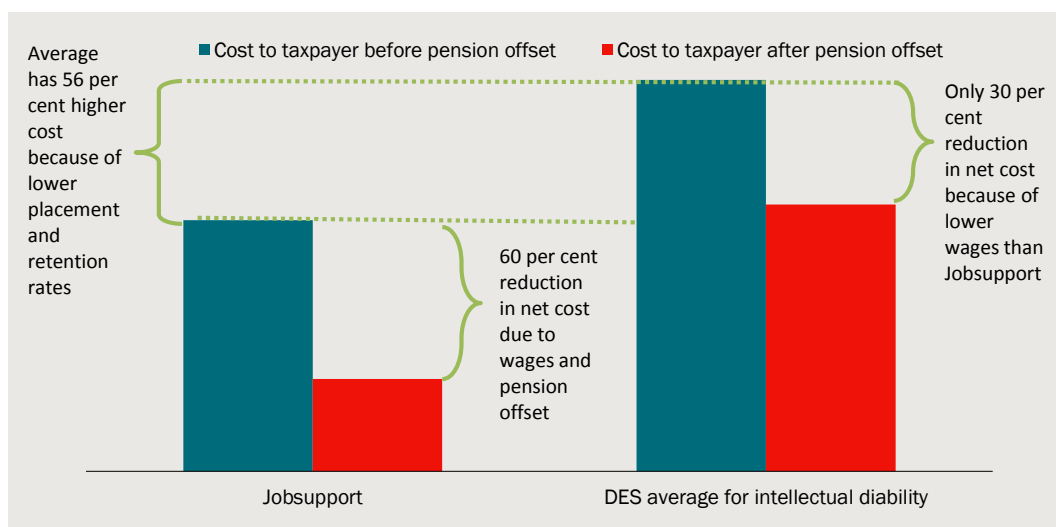
The importance of placement and retention to achieve savings

It is important to note that the savings presented above depend on high placement and retention rates as well as on good wage rates. This is illustrated in chart 2.5 and table 2.6, which use the latest available comparable estimates to compare Jobsupport with the DES average for intellectual disability.

The chart and table illustrate that the savings (relative to ADE or CP) achieved by a service that performs as well as Jobsupport has two key components.

- First, the average cost per client (before the pension offset is taken into account) depends on placement and retention rates. The higher these rates, the lower the average cost per client.
 - The DES average cost per client of a 26 week outcome is 56 per cent higher than the Jobsupport cost per client as a direct result of lower placement and retention to 26 week rates on average compared with those for Jobsupport.
- Second, in moving from pre-pension offset to post pension offset costs to the taxpayer, Jobsupport’s costs per client fall by 60 per cent, compared with only a 30 per cent fall for the DES average. This is a direct result of higher wages achieved by Jobsupport. Lower wages mean a smaller pension offset.
- The net result of these two effects is that Jobsupport costs to the tax payer (per client) are around one third of the DES average costs for intellectual disability.
- Achieving only average DES results for intellectual disability would eliminate many of the savings identified above.

2.5 Net cost to taxpayer depends on outcome rates and wage rates



Data source: CIE estimates, Jobsupport

2.6 Outcomes and costs: Jobsupport versus national intellectual disability average

Item	National Intellectual Disability Average (DES ESS)	
	Jobsupport	Disability Average (DES ESS)
26-Week outcome at 6/1/2012 (per cent)	78.8	26.8
Ongoing retention at 6/1/2012 (per cent)	85.0	76.9
Weekly wage ^a (\$)	334	260
Funding per 26-week outcome at 6/1/2012 ^b (\$)	32,935	51,731
Cost to taxpayer before pension offset at 30/6/2011 ^c (\$)	10,732	16,272
Cost to taxpayer after pension offset at 30/6/2011 ^d (\$)	3,946	11,410

^a The most recent wages available are the 31 December 2009 for DES ESS Open Employment Intellectual Disability. ^b Employment Assistance and Post Placement Support funding from 1/3/2010 to 6/1/2012 divided by the number of 26 week outcomes. ^c CBF funding for the 2010/11 year divided by the number of people employed on 30/6/2011. ^d Pension offsets are based on the March-June 2011 means test of \$0.50 in the dollar for earnings over \$73 per week.

Source: Jobsupport Technical Assistance Project.

3 *Challenges in integrating NDIS and DES*

Dealing with low expectations

One of the most important features of a TTW program for persons with MID is to demonstrate that open employment is in fact possible and to deal with barriers to employment that may arise.

Unfortunately, self-fulfilling low expectations are a known feature of employment outcomes for persons with MID, and unless otherwise corrected, can become embedded in institutional responses.

- When Jobsupport opened its Melbourne open employment and transition services no one came. The teachers, parents and co-ordinators who helped graduating students choose between post school alternatives didn't believe that people with a moderate intellectual disability could work and suggested that Jobsupport was irresponsible for even suggesting the idea. Jobsupport had to fly three cohorts of school leavers, teachers, parents and co-ordinators up to Sydney to convince them that employment was possible.
- In 2013 Jobsupport relied on the NSW Department of Education School Transition Teachers (STT) on the north shore of Sydney to identify students with a moderate intellectual disability who were interested in open employment. The STTs didn't identify one student in a government school on the North Shore of Sydney. In 2014 Jobsupport contacted the schools directly and twelve 2014 school leavers entered Jobsupport's TTW in 2015.

The DEEWR DES review appears to view DSP recipients who do not see themselves as participating in the labour force as out of reach of disability services. Between January 2010 and April 2015 only 15 people with a moderate intellectual disability were referred to Jobsupport's DES by JCAs, whereas 250 new clients entered Jobsupport via Transition to Work. Significant numbers of people with MID will only enter DES services if TTW services are available to provide them with the confidence to attempt open employment.

77 2014-year school leavers will enter Jobsupport's Sydney DES and TTW services and 17 will enter Jobsupport's Melbourne Transition to Employment (TTE) service in 2015. A large number of these school leavers were still being transported when they finished school. These low independent travel rates (around 40 per cent) illustrate the low expectations of people with MID and their families. It is very unlikely that families who were not confident for their son or daughter to travel to school would consider open employment as a viable option.

Understanding transition to work

Jobsupport's Transition to Work program

Jobsupport's Transition to Work Program was established to increase the number of people with a moderate intellectual disability willing to attempt DES. Only 23 year-2000 school leavers with a MID entered Jobsupport's DES in 2001 prior to the establishment of the TTW service.

Jobsupport established a pilot TTW service in 2002 to demonstrate that many of the school leavers with MID entering post school activity programs could, in fact, achieve open employment. This led to the establishment of TTW as a NSW service type in 2004 and post school options services were split into a TTW stream and a Community Participation stream. Jobsupport has been responsible for 41% of the Sydney open employment outcomes from the TTW program for the school leaver years 2002 to 2011³.

Between 2002 and 2014, 355 or 68% of the school leavers with a moderate intellectual disability who entered Jobsupport's TTW service achieved open employment.

Jobsupport actively liaises with schools and convinces families and school leavers who would not have considered open employment a realistic option to explore the possibility of employment within the TTW program.

Being clear about what TTW is for

It is important that the NDIS is clear on what it is seeking to achieve from a TTW program and who can benefit before TTW programs are rolled out nationally.

Jobsupport's outcomes were achieved under NSW TTW model.

TTW programs work best when each MID participant's transition plan is designed and regularly updated in conjunction with skilled service staff based on ongoing evaluation of the participant's progress. The current NDIS approach whereby assessors (who are likely to have little knowledge of effective TTW approaches for different types of disability) and MID clients and their families predict in advance which line items of support will be needed and in what quantity is certain to fail.

TTW programs like Jobsupport's TTW that provide extensive onsite support and lengthy work experience placements should be limited to people who require a high level of one to one onsite support by a service because the person's support needs are beyond what an employer could provide.

Jobsupport's TTW program provides systematic on-site training in a job customised to each individual and intended give the person with an MID a taste of success that lifts employment expectations. TTW also provides an opportunity to overcome barriers, such as an inability to travel, a refusal to accept direction, an inability to stay on task and very low stamina that would preclude employment.

³ This reflects the latest available published data from the ADHC website (as at June 30 2014)

Jobsupport's TTW program results in more people achieving open employment, however it does not result in reduced DES training time, higher DES employment outcome rates or higher DES wages. People with MID do not generalise work skills from one setting to another.

Course-based work training, with limited actual work experience, should be regarded as a different category of service applicable for individuals who can generalise skills.

Both TTW programs and any vocational courses should be rigorously evaluated against the employment outcomes achieved.

- Outcome rates for non-DES providers within the NSW TTW were low.
- The NCVET *Australian Vocational Education and Training Statistics: Students with a Disability 2013* reported a course completion rate of 17.1% for people with an intellectual disability.

Building on the NSW program

The NSW TTW program is an example of excellence that NDIS could learn from.

One variation that could be tested is providing withdrawal-based training and work experience within Year 12 for school leavers with a MID. That is, shifting the timing of TTW training to within year 12 rather than after year 12 — with only half of the cohort needing TTW post-school (for a year) and the other half going direct to DES program.

- Jobsupport estimates that approximately half of those currently entering the TTW program could go directly to DES.
- This refinement could reduce Australia-wide TTW costs by 25% creating additional savings (in present value terms) of around \$45 million over 40 years⁴.
 - This is in addition to the savings set out in table 2.3, representing an additional 5 to 15 per cent in savings.

Building on recent positive changes in DES

The DES program has made a serious attempt to improve services.

- An Employment Services System (ESS) data collection has been introduced.
- An outcome based performance framework has been established.
- Consequences have been introduced for poor performance. Over 50% of the DES ESS contracts were re-allocated in 2013 following a tender process.
- Performance data will be published by disability type in the near future.
- Pilot training and technical assistance projects were funded and evaluated.

⁴ This is based on total potential number of clients of 3 103 as set out in table 2.2 and an average client cost of \$3 376. A 25 per cent saving amounts to \$2.6 million per year, or \$45 million over 40 years using a 5 per cent discount rate.

Despite the best endeavours of the DES program 26-week employment outcome rates remain plateaued at around 30%. The outcome rates below are for the DES-ESS program as a whole, i.e. across all types of disability.

Even allowing for different measurement approaches used over time, there appears to be little improvement in outcome rates.

3.1 DES outcome rates across all types of disabilities

Year	13-week Employment Outcome	26-week Employment Outcome
January 2010 DEN Capped ¹	38.64%	33.67 %
December 2011 – DES-ESS ²	26.80%	22.60 %
January 2013 – DES-ESS	30.50%	30.40 %
December 2014 – DES-ESS ³	28.60%	29.10 %
May 2015 – DES -ESS	27.70%	28.30%

¹ The DES evaluation used a different cohort methodology and discounted DEN 26-week outcomes by 2.6% to allow for different program rules.

² The 2010-13 contract ran from March 2010 and didn't include carry over outcomes from the previous DEN contract

³ The 2013-18 contract ran from 2013. Outcome KPIs use a 3 year rolling period, however approximately 50% of contracts are new, only run from March 2013.

Dealing with remaining disincentives in DES

NDIS TTW employment outcomes will only ever be as good as the results achieved by DES services they refer to. There is no evidence of significant numbers of people with MID achieving open employment without a DES service.

Policies developed within DES when it was administered by DEEWR effectively discourage DES services from working with people with MID. Four particular issues are especially relevant:

- No indexation of funding– services have little choice but to move to client groups that require less support hours to achieve employment outcomes so that funding covers costs.
- Ongoing support funding is effectively a billable hours approach that makes it impossible to realise efficiencies as real funding declines.
- The bulk of expenditure is incurred pre-placement and during the first 6 weeks of employment. The bulk of income is received after 13 weeks and 26 weeks of employment. The average DES service is reluctant to place people with MID because only 44.8% of job placements of 15 hours per week or more last 26 weeks and expenditure cannot be recouped (81% of Jobsupport's placements are retained for 26 weeks).
- The ongoing support KPI assumes that people with disabilities who exit employed are forever employed whereas services catering for people with ongoing support needs

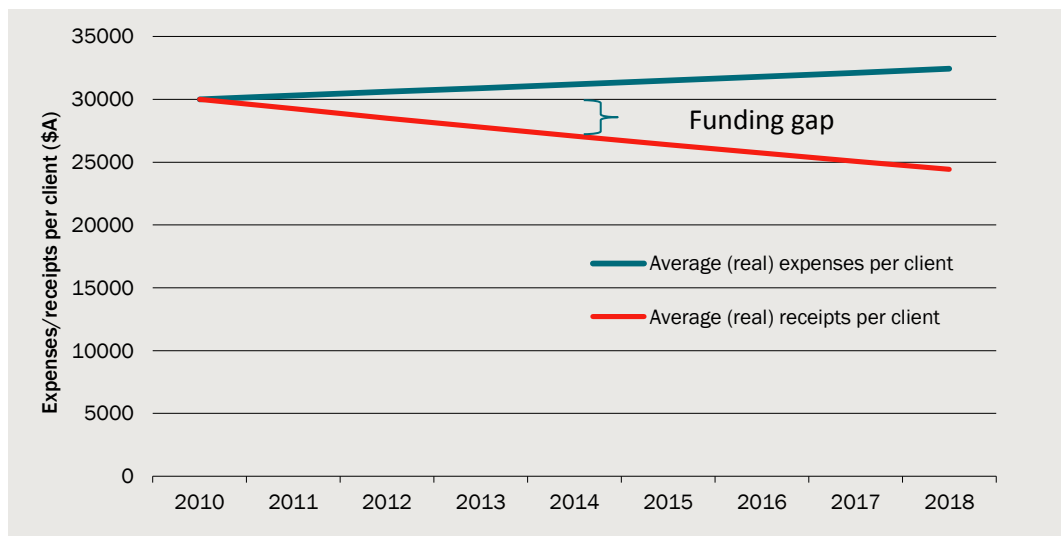
have every job loss counted. The ongoing support KPI represents 15% of the Star Rating that determines continued funding.

Each of these are discussed in more detail below. A key point is that the current DES disincentives need to be addressed as a matter of urgency or the 2018 full NDIS rollout may find no DES services focussed on the NDIS population for MID. Even Jobsupport with results three times the national average is concerned about its financial viability. The disincentives are a counter-productive false economy now that DES and the NDIS are within the same portfolio.

The lack of indexation funding gap

Jobsupport’s funding was adjusted from July 2010 when the Moderate Intellectual Disability Loading (MIDL) was introduced. It currently works in an environment of real funding declines as funding has not been indexed since July 2010. Costs are currently increasing by around 2.5 per cent a year. Chart 3.2 illustrates the growing funding gap, in real terms, as a result of the lack of indexation.

3.2 The growing real funding gap: expenses versus receipts in real (2010) terms



Note: It adopts the average Wage Price Index for NSW and Consumer Price for Sydney from 2010-2013 for future periods of 3.6 per cent and 2.6 per cent, respectively. The chart is expressed in terms of 2010 dollars.

Data source: The CIE.

Reduction in funding from ongoing support audits

An important disincentive within the current DES arrangements is the combination of the lack of CPI indexing of ongoing support payments along with recouping (by the Department) of efficiency gains (reduced staff hours) in ongoing support services.

Table 3.3 illustrates actual outcomes for Jobsupport since 2011-12. This table shows average ongoing support hours per client, average ongoing support funding per client, and ongoing support assessment adjustments (in total funding).

3.3 Funding reductions from ongoing support assessment

Year	Average ongoing support hours per client	Average ongoing support funding per client(at 30 June), \$	Ongoing support assessment adjustments (reduction or increase), \$
2011-2012	89.2	8,365	90,000
2012-2013	78.4	8,331	-80,800
2013-2014	76.8	8,413	-186,400
2014-2015	72.7	8,218	-272,000

Note: Between June 2011 and June 2015, the CPI increased by 8.4 per cent. Over the same period, the industry award wage (Training and Placement officer Grade 2, Pay Point 5) increased by 8.7 per cent.

Source: Jobsupport

The first thing to note is that over the period 2011-12 to 2014-15, Jobsupport costs have increased by between 8.4 per cent (the increase in the CPI) and 8.7 per cent (the increase in award wages). Arguably, the second of these figures is most appropriate as it more accurately reflects that actual cost base (wages) for ongoing support.

This means that in order to maintain real funding per client, the \$8 365 in 2011-12 should have increased to \$9 093 by 2014-15. Thus, before accounting for ongoing support assessment adjustments, real funding per client has declined by 8.7 per cent.

The second thing to note is the reduction in average ongoing support hours per client. This efficiency improvement is designed to deal with the fact that real funding is declining over time.

The third point to note is that in most years, the ongoing support assessments have resulted in reduction in funding, ranging from \$80 800 in 2012-13 to \$272 000 in 2014-15. Put another way, savings achieved from reduced support hours (efficiency improvements) have been recouped through the assessments. The cumulative reduction in funding over the four years in table 3.3 is \$449,200.

The result of these adjustments is that rather than reaching \$9 093 per client (the amount required to maintain real funding per client), actual funding is \$8 218. Thus in 2014-15, funding is 10.6 per cent lower than it should be to maintain real funding per client. This is a result of a reduction in real funding through the lack of indexation, combined with the recouping of efficiency gains from ongoing support assessment.

This effective and steady reduction in funding for ongoing support services is clearly a major disincentive to provide ongoing support to high needs clients. The effect of the reduction in funding as a result of OSA adjustments is to increase the cost pressures from the lack of indexing alone. Under current arrangements, this effect is likely to increase over time. Further audits that recouped efficiency gains even before the next OSA assessment would further worsen the situation.

This effect does not occur in other areas such as post placement support and employment assistance.

Timing shortfall

Table 3.4 summarises the broad timing of costs and funding.

3.4 Jobsupport 2012-13 funding shortfalls per TTW client 26 week employment outcome

	6 week employment \$	13 and 26 week employment \$	Total \$
Cost	26 565	5 233	31 798
Funding	7 128	20 359	27 487
Net outcome	-19 437	15 126	-4 311

Note: Calculations assume 10% of placements do not attract the MIDL and that 92 per cent of placements convert to 26 week outcomes. The 9 per cent of TTW clients who do not achieve employment are not included in the calculations.

Source: Jobsupport

The table illustrates a number of key points.

- Most of the *costs* of job search, job customisation and initial onsite training occur in pre-placement and during the first six weeks of employment, subsequent costs are relatively low.
 - Client assessment, job search and job customisation to achieve a good job/client match require an average of 150 hours.
 - On average each job placement requires 150 employer contacts.
 - Initial one to one onsite training to the performance standards agreed with the employer averages 180 hours.
- In contrast, most *funding* occurs after 13 and 26 weeks of employment (assuming successful 13 and 26 week outcomes). As a consequence, initial job search and job customisation and onsite training effectively involves a large funding shortfall that must be carried through until successful outcomes.
- Placements that do not convert to 13 and 26 week outcomes do not receive these outcome payments resulting in an large shortfall.
- Under current funding arrangements, the net effect is a funding shortfall over the cycle for each successfully placed client.
- The average DES service is reluctant to place people with MID because only 44.8% of job placements of 15 hours per week or more last 26 weeks and expenditure cannot be recouped (81% of Jobsupport's placements are retained for 26 weeks).
- This challenge is compounded by the lack of indexation of funding noted above.

Ongoing support KPI

The ongoing support KPI (within the DES performance framework) effectively disadvantages services that work with people that require ongoing support.

- Ongoing Support is essentially a measure of employment retention, measuring the proportion of ongoing participants who remain in employment or who exit ongoing support as independent workers.
- While a measure of retention is appropriate to ensure that clients are placed in sustainable ongoing employment, the measure is potentially problematic in its use of the notion of 'exit'.

- Effectively, independent worker exits are treated as if they were in perpetual employment. This is not necessarily the case, however, as the independent worker could become unemployed subsequent to exit — an outcome that does not affect the KPI for the particular service provider (even if the client subsequently returns).
- In particular, this measure creates incentive to exit workers if there is any expectation that their employment will not be retained. Clients with more support needs may be indirectly disadvantaged in this way without any measured decline in performance of the service provider. Poor placement performance is not necessarily penalised. The measure also has the effect of discouraging providers from working with this population

Table 3.5 provides an illustration of how this non-neutrality could emerge within the existing ongoing support framework. While the example is indicative only, it clearly shows how two otherwise identical services could receive different performance measures based on different choices regarding exit or ongoing support. In these calculations, 100 per cent indicates performance equal to the national average.

3.5 Illustrative examples of non-neutrality of ongoing support measure

	Service A	Service B
<i>Scenario: Services A and B each have 10 clients starting on the same day. The retention calculation is on day 625 and both services have 5 job losses at day 624</i>	Retention (%)	Retention (%)
Service A exits all clients as independent workers immediately after entering ongoing support	$10/(10*1)*100 = 100$	$5/(10*0.7)*100 = 71$
Service B maintains all clients in ongoing support		
Service A exits all clients as independent workers 365 days after entering ongoing support	$10/(10*0.78)*100 = 128$	$5/(10*0.7)*100 = 71$
Service B maintains all clients in ongoing support		

Note: Average retention rate on day 625 is 70 per cent (based on DEEWR estimates). Average retention rate on day 365 estimated at 78 per cent. Assumes employment maintained through 6 week window after exit.

In this example, the service exiting clients as independent workers achieves average or better outcomes, while the equivalent service maintaining ongoing support achieves below average outcomes. While the service exiting workers is not ‘guaranteed’ a particular outcome (under the 6-week monitoring) this example shows that, nevertheless, neutrality is not maintained. Only ongoing monitoring of independent worker exits would achieve this.

4 Making the consumer driven model work

A fundamental assumption of consumer driven services is that the ‘supply’ side of the market provides genuine choice and a sequence of clearly differentiated options in terms of transparent outcome measures.

For a variety of reasons, this is not the case in MID and the integration of NDIS and DES will require serious attention to building supply side performance. Without this, consumer choice will be unable to deliver service improvement and the consumer driven model will fail, and a cycle of low expectation and low outcomes will continue.

Implications of the MIDL review

The MIDL evaluation reported that the Centre for Disability Studies and the peak bodies believed that few DES providers had the technical knowledge and expertise to work with people with MID. The evaluation noted ‘a need for specialist services or units to better support these jobseekers to obtain substantial employment’.

These findings from the MIDL evaluation have significant implications for the NDIS. If there is only one service in Australia that is able to effectively provide employment to a NDIS population that is automatically eligible, then it is unlikely that client control of funding alone will lead to significant employment outcomes.

The MIDL evaluation noted that ‘from the available literature it is clear that money alone is no guarantee of outcomes – outcomes are driven by positive conviction and know-how’.

Information to make a choice

There is currently no quantitative NDIS data available on provider performance that allows NDIS participants and their families to make an informed choice between providers. This lack of information, combined with the fact that many providers are unable to effectively provide the service needed, means that there is, in fact, no real consumer choice.

The promised data on outcomes by disability type will provide some indication of which services are more effective with different populations as a stop gap measure until more detailed NDIS data is available.

A strategy for realising savings and genuine consumer choice

The need for the development of specialist services that can deliver outcomes is clear. It is also clear that Jobsupport is the only current service that is able to effectively provide these services for people with a moderate intellectual disability. It is also clear that the potential savings can only be achieved through a level of service equivalent to that delivered by Jobsupport.

The challenge is how to replicate Jobsupport's results across Australia to achieve acceptable outcomes and significant savings.

The quickest and most certain way of improving outcomes for the MID population is to expand the only service achieving good outcomes for that population. Expanding Jobsupport to cover the full Sydney, Melbourne and Brisbane LMRs would provide reliable services to approximately 53% of the MID Australian working age population.

Jobsupport's Sydney services do not currently cover Wollongong and the Melbourne service is limited to Calder and the adjoining ESAs. The Jobsupport expansion into the Calder ESA in Melbourne is achieving a 5 star rating and outcome rates equivalent to the Sydney contracts.

The Jobsupport model of service delivery could be replicated without change in the largest cities (Sydney, Melbourne, Brisbane, Perth and Adelaide). Outside of large cities the model would have to be run as units or specialised staff within services catering for a wider population.

The training challenge

The DEEWR Training and Technical Assistance (TTA) projects implemented by Jobsupport and NDS with DES services achieved little or no success.

The main lesson Jobsupport learnt from the project was not to underestimate the difficulty organisations had in implementing change. The leading change authority, Kotter, has estimated that 70% of change efforts fail, (see Kotter 2008).

Kotter identified the main barrier to successful change as complacency. Jobsupport's experience was that CEOs were unwilling to drive unpopular changes when they were achieving average results. Three of the nine services in the technical assistance project did attempt to change after the tendering of three star services was announced however by that time it was too late to impact on the March 2012 Star Ratings that informed tendering decisions.

The training program delivered by VCU as part of Jobsupport's Innovation project was very well received. Participants rated it highly and service managers indicated that they would be enrolling other staff in future courses. Follow up surveys indicated however that little or none of the course content translated into changed work practices.

Information and consequences

The DES program deserves credit for tackling the difficult task of introducing consequences for poor performance. The behaviour of the services within the TTA trial reinforces the importance of continuing this policy.

The publication of performance data by disability type will provide another useful incentive for services to improve. With effective consequence for poor performance now in place it is probably too early to give up on Training and Technical Assistance. .

Training could be introduced based on known best practice for each type of disability. The publication of every DES and TTW service's outcome data by type (and severity where possible) of disability is an important foundation for service improvement. The data will:

- Enable people with a disability and employers to make an informed choice between DES and TTW services
- Improve employment outcomes because people with a disability will vote with their feet and enter better performing services
- Inform DSS about each services performance
- Enable best practice for different types and severity of disability to be identified and investigated
- Enable the development of training packages based on known best practice.

The inclusion of 52-week sustainability data, MID outcome numbers and the publication of numerators and denominators greater than 4 (rather than the current 20) in the DES employment outcomes by type of disability data would further improve the utility of the DES published data.

The NSW TTW program currently publishes the employment outcome data for every service. Overtime the proportion of school leavers entering the better performing TTW programs has increased.

Kotter International advised that in their experience change is only likely to be implemented when all the top management agree on why there is a need to change and are committed to supporting the change and demonstrating this support with observable behaviour.

Change management courses could be introduced for service management where a readiness to change has been demonstrated. An application process and course could be designed in conjunction with a group like Kotter International.

Benson Consulting provided the marketing technical assistance in Jobsupport's training and technical assistance initiative and their approach was a useful lesson in how to structure technical assistance. Benson provided technical assistance in agreed steps with each step including the completion of relevant work by the organisation. Assistance was only provided with the next step when the organisation had completed the work required on the previous step.

This experience also illustrated that it may be more effective to provide support in person rather than on the phone.

Jobsupport the benchmark

Jobsupport's performance should be regarded as the national benchmark and if other services continue to fail to achieve Jobsupport's outcome levels with both consequences for poor performance and TTA in place then Jobsupport should be expanded further (i.e. beyond the Sydney, Melbourne and Brisbane LMRs).

5 *Implications and conclusions*

Increased employment of persons with MID has the potential to lead to large savings for the whole Department of Social Services portfolio. While it may appear expensive to maintain persons with MID in ongoing employment, the alternatives are even more expensive, and these expenses all occur within the same portfolio.

Achieving these savings, however, requires recognition of a number of key facts.

- Placement and retention with good wages requires evidence based techniques.
- The overall portfolio, including the NDIS, should learn from established best practice. Jobsupport as the leading provider of services to clients with MID has an established track record for high placement and retention.
- Adopting Jobsupport's practices, or encouraging Jobsupport to expand to a wider population base, will generate significant outcomes both to persons with MID and the whole portfolio.
- These potential outcomes are currently hindered by some disincentives that remain within the DES program. These disincentives threaten the viability of the provision of services to persons with MID and should be dealt with as a matter of priority.
- The NDIS approach of 'consumer driven' service provisions faces a number of key challenges. Making the consumer driven model really work requires recognition of supply side constraints in the provision of disability employment services
- It will be important to continue to build on recent positive developments within the DES program including:
 - publishing data to see what is working
 - publishing data to enable informed choice
 - continuing to provide consequences for poor performance

References

Department of Education, Employment and Workplace Relations (DEEWR), 2013, *Evaluation of the Moderate Intellectual Disability Loading*.

Kotter, 2008, *A Sense of Urgency*, Harvard Business School Publishing.