DES Reform Discussion Paper (November) Submission

Western District Employment Access (WDEA)

WDEA has operated as a high performing provider of employment services to people with a

disability from 1989. WDEA operates generalist DES programs across Northern and Western Victoria, and the South East of South Australia. WDEA currently delivers DES services to a caseload of over 3,500 job seekers.

Below is a response to the “New Disability Employment Services from 2018” discussion paper. This details WDEA’s stance on proposed individual changes to the DES framework as outlined in the discussion paper, in addition to a response regarding the general principles guiding the changes to the DES framework.

***Increasing participant choice and control in the services they need.***

WDEA supports the notion of increasing job seeker choice over the Provider they engage with. WDEA believes it is necessary to afford job seekers an appropriate amount of choice and control over their participation in employment services as this provides ownership and responsibility to the job seeker, which in turns increases job seeker satisfaction and participation rates. However, the concept of job seeker choice and control must also be developed with respect given to the medium and long-term viability for Providers and therefore the consistency and continuity of service to job seekers and employers.

Allowing job seekers complete flexibility to freely move between Providers will result in fluctuating caseloads and funding, which in turn produces a volatile marketplace where Providers could not possibly deliver consistent services. This in-turn results in Providers being unable to develop long term strategies to service job seekers and employers under the DES framework.

This needs to be considered with regard to the 75+% of job seekers in DES who are not voluntarily engaging, however are *required* to participate in employment services. The requirement of consumers to participate is quite unique to the employment services industry, and as such we must be very careful when drawing conclusions from models that are successful in other industries that do not share the same commonalities with employment services.

Unlike many other industries driven by consumer demand which naturally satisfies desired industry and social outcomes, there is no certainty of demand from job seekers with Mutual Obligation requirements which aligns with those same desired outcomes. So while other industries may be driven to provide the quality of service that is demanded by all stakeholders, there can be no surety that the quality of service which a DES consumer is seeking, and therefore driving within the industry, aligns with the Government’s desired economical and social outcomes. Therefore the extent of job seeker choice needs to be balanced and implemented with due consideration given to the requirement to participate.

The impact on employers of job seekers moving between Providers cannot be understated and is *the* major risk within this framework that needs to be thoroughly considered. Breaking the delicate relationship between job seeker, employer and Provider will have very significant consequences that could be detrimental to the ongoing employment of job seekers and success of the industry as a whole.

DES Providers play a support role to both employers and job seekers alike, where support is fostered from employers and co-workers to assist job seekers in their work role. Quite often the ongoing employment of DES job seekers - especially during the initial months of employment - is contingent upon the support a DES Provider can deliver. This is enabled through a close working relationship between employer and Provider which has usually been developed over time. Where a job seeker elects to terminate support from their current DES Provider by transferring to another Provider, it could have negative consequences for the job seeker’s employment, as their employer may not be able or willing to continue providing support. This is especially true where an employer is required to work with an unfamiliar Provider who does not have an understanding of that workplace and is unable to deliver the same service that the employer was accustomed to receiving.

This has the potential to frustrate employers to the point where they do not wish to maintain relationships with Providers and/or support for the job seeker, resulting in the job seeker being unable to continue in employment.

The uncertainty of supportive relationships between Providers and employers may also jeopardise the willingness of employers to engage with DES Providers in the future. This may have the unintended consequence of job seekers being disadvantaged while remaining connected to a DES Provider.

**Recommendations:**

Given the importance of considering the viability of DES Providers and employer support, WDEA suggests the following alternatives for consideration:

**1. Limited number of job seeker transfers.**

WDEA supports the notion of a limited number of transfers during a period of service, however believe that a maximum number of 4 transfers should be available during the job seeker’s participation in the Employment Assistance phase. This provides the job seeker with multiple opportunities to change Provider at any time during the job searching phase, however decreases the likelihood of regular rotation between Providers - so called “service hopping”. This also encourages job seekers to afford Providers a fair amount of time to build an understanding of the job seeker and develop a tailored service plan.

WDEA supports Providers being obligated to accept all client transfers in order to prevent selective commencements of only clients who will be beneficial to the Provider.

**2. Job Seeker Transfer Windows**

3 month transfer “Windows” would allow Providers to work with job seekers for sufficient time so as to provide the job seeker with an accurate representation of that service. It would also align with the current 3 month service fee period and provide a minimal level of reliable funding to Providers.

**3. Job Seeker Transfers while in employment.**

Where there is a lack of appropriate service provided, job seekers must be able to transfer Providers in order to receive the required available support. However to protect against the risk inherent in employers having to change the Provider they are working with, restrictions should apply to job seekers being able to freely transfer Providers while being supported in employment.

Where there is demonstrated poor service being provided to the job seeker, an independent body should be able to assess the risk and the benefit to the employer and job seeker when considering a transfer to another Provider. Currently, the Customer Service Line and Department representatives have been able to action such requests.

The job seeker should continue to be able to lodge a request to transfer with the Customer Service Line or other appropriate body, where transfers have not proceeded and the job seeker feels by not proceeding their employment will be adversely affected. Job seekers should continue to be able to utilise this mechanism at any time while participating in DES, however it is important that employers also be consulted during this process.

The number of job seekers in the current contract wishing to transfer Providers during the PPS and Ongoing Support phases are relatively small. This may increase under a new framework where an emphasis is placed on job seeker choice.

**4. Limiting the impact of job seeker Transfers while Tracking to Outcomes**

Where a job seeker is tracking toward an Outcome, however transfers to another Provider, both Providers should receive the performance based rewards for each Outcome achieved in the same position after the transfer occurred. All Outcome fees after the transfer has taken place should be evenly split between the Provider that made the placement and the Provider at the time the Outcome is due. This provides the receiving and relinquishing Provider fair recompense for both securing and then maintaining the job seeker’s employment, without disadvantaging either for decisions that may be outside of their control.

***Flexible Servicing Arrangements***

Job seekers must be provided with the servicing arrangements that are going to best engage them in DES. For many job seekers - particularly those living in rural and remote locations - the requirement to see DES Providers face-to-face at every meeting while job-searching is onerous, costly and counterproductive to their job-search efforts. While the frequency of contact must remain intensive to ensure proper servicing of all job seekers, the mode of contact should allow for advances in technology. For example, video calling, electronic information exchange (particularly for those with disabilities whose participation is enhanced through electronic communication systems) and phone contact should be considered as viable alternatives to face to face contacts where the job seeker agrees.

Where the appropriate servicing of job seekers is not delivered, Department and Quality Framework monitoring/auditing should identify this. A framework that focuses on job seeker choice will also drive services to deliver appropriate servicing in an effort to attract and maintain job seekers in their service.

***Selecting a Provider***

It is vital that Providers are given the same opportunity to attract job seekers during service access as part of a competitive marketplace. In a competitive marketplace it is important to ensure that there is no possibility of preferential treatment given to a Provider without objective reasoning. Therefore all Providers should be given the same opportunity to deliver information to prospective job seekers in order to attract them their referral, actioned by the job seeker themselves.

Referral of job seekers who do not select a Provider should *not* be referred simply to the highest performing Provider in the ESA. Given the anecdotal evidence of a large proportion of DES job seekers not selecting a preferred Provider, this would result in major service imbalances across each ESA. It would cause new Providers to an ESA, or Providers who have gone through unexpected adverse circumstances (such as bulk transfers of clients) to sustain a disadvantage that would compound over time as limited client referrals would result in limited capacity to develop services. In a short space of time, any Provider who does not receive a regular intake of job seekers will become unviable, creating a dearth of Providers in the market place.

**Recommendations:**

**1. Standardised information delivery during referral**

Standard Provider information should be given to job seekers during the process of being referred to DES to assist them make an informed choice should they wish to select a Provider themselves. This information should be standardised based on performance information and other quality information that Providers wish to supply.

Information developed for job seekers to advise of the choices they have in the DES program should also be expanded upon and emphasised during service access and commencement.

**2. Equality of referrals to all Providers**

Where a job seeker does not select a Provider, the job seeker should be referred to a Provider based on equal referrals in the Employment Services Area (ESA). From here, job seeker choice will allow movement of job seekers to the desired Provider, in which case the concept of channeling job seekers to high performing Providers at the entry point into DES becomes unnecessary.

***More control Through Some Funding Provided to the Participant***

Job seekers have a variety of barriers to finding and maintaining employment, some of which require more financial support than others. Individualised funding for support is not likely to meet the needs of each individual job seeker as it is difficult to accurately determine funding requirements based on a data “calculation” using job seeker circumstances.

Providers have traditionally been able to assess the need for individual job seeker funding and utilise funds received from a variety of job seekers to meet an individual job seeker’s needs. This has reduced the administrative requirements in accessing funding which has resulted in Providers being flexible and spontaneous when providing funded supports to match each job seekers varying support requirements.

**Recommendation:**

**Provider discretion on job seeker funding**

Providers must remain responsible for the expenditure of funding delivered to job seekers.

With the increase in participant choice, job seekers will be naturally driven to engage DES Providers who fund appropriate supports. This will in-turn drive Providers to fund the appropriate supports for job seekers. Where funding is withheld and the job seeker believes this is inappropriate, the job seeker should be given the opportunity to lodge a dispute and have this resolved independently.

***Driving greater competition and contestability in DES.***

Greater competition in DES should be generated by a more transparent and fluid marketplace where there are more opportunities for high performing Providers. High performing Providers should be given access to additional Employment Services Areas on a more frequent basis than the current contract lengths allow. This should not be an administratively complex process such as a lengthy tender, however any parameters used should be quantifiable and transparent and without room for circumstantial disadvantage or inaccuracies in calculations that aren’t reflective of a Provider's true performance.

A fluid marketplace must also be tempered against a viable marketplace to ensure good Providers are encouraged to expand and maintain their service. A marketplace that is open to an uncapped number of Providers will dilute caseloads to the point where services are no longer viable, or services will not have the funding from larger caseloads to provide quality services to job seekers and employers. An uncapped marketplace will also overpopulate the space which would limit the capacity for collaboration among Providers and employers.

It is also essential to provide transparent performance data to Providers. While changes to the performance framework are outside the scope of this discussion paper, the information generated by the current performance framework needs to be made readily available to Providers - including those parameters and indicators associated with the Star Ratings which Providers are not privy to.

Providing transparent performance framework data to Providers will allow them to anticipate fluctuations and dedicate resources where unexpected fluctuations occur. It is also critical to the management of services that clear goals and targets can be set so they can be pursued, however this is not always possible without all of the performance information being made available.

**Recommendations:**

**1. ESA Provider Cap**

A Provider “cap” should exist where there is a limit on the maximum number of Providers in an ESA commensurate with the average number of “active” job seekers in that area. This would ensure that Providers can maintain sufficient caseload numbers to remain viable while allowing other Providers access to the marketplace.

**2. Transparent Performance Feedback**

Providers must be delivered more data on performance parameters that impacts on the Star Ratings. This will create less uncertainty in the marketplace and allow Providers to work toward more certain goals, creating a more stable marketplace for job seekers.

***Preventing Market Failure***

All Providers must be required to service all clients on their caseload within an ESA. Under more flexible servicing arrangements this could take a variety of forms, however there must be no distinction between Providers based on preferred servicing locations. Any Provider that has committed to servicing an ESA must service all job seekers in that ESA who are referred to the Provider. If a more flexible mode of service delivery is made possible, then this would also minimise the risk of market failure.

***Aligning incentives to support better outcomes.***

Any shift in the weighting of funding must be carefully considered in light of the client base that DES assists. Many job seekers in DES face significant barriers to employment which require time to address. Funding that is weighted towards Outcomes presents a range of issues for our most vulnerable job seekers as Providers will have limited access to additional funds to prepare job seekers for employment as the majority of funding is not accessed until the client has been working.

Funding that is heavily weighted toward Outcomes could have the unintended consequence of Providers inappropriately expediting the job seekers placement into employment. Providers may also become more selective of who they encourage to participate based on who is most likely to secure them outcomes. The risk of market failure is also increased as Providers will not be likely to service areas that will not result in a viable number of employment outcomes, such as labour markets experiencing significant decline or remote areas.

Where currently there is a concern about the potential for Providers to “park” job seekers - providing them with limited servicing while continuing to receive service fees - a model that focuses on job seeker choice will drive the required service from Providers. In this framework, “parking” job seekers will not generate the same incentives as job seekers are likely to leave the Provider and therefore the Provider will be negatively impacted for not providing the intended service.

***52 Week Outcome***

The proposed 52 Week indicator needs to be carefully considered in light of the funding arrangements and shift in labour markets.

A 52 Week Outcome would require intensive servicing, management and administration of job seekers for at least one year beyond an employment placement - effectively doubling the current minimum requirement of management from 6 months to achieve all Outcomes. This will require significant additional investment from Providers to meet these requirements, and as such must be met by significant investment from Government. The risk to Providers of job seeker transfers is also increased, and so the number of Providers affected and the degree to which they are affected will also rise.

Having funding spaced over a minimum 1 year period also provides challenges for Providers in managing cash-flow. Potentially, Providers may not be able to develop their services and invest in job seekers until funding has been fully delivered. This may not be until the 52 week Outcome has been achieved which may be delayed by up to 3 years in the current framework. This poses significant risk to Providers when considering budgetary requirements, especially to those Providers who may be expanding to new ESA’s and/or client bases.

The effect of the current labour market on a 52 Week Outcome also needs to be considered. Given the labour market is changing with an increase in the number of seasonal, casual and contracted positions, there may be a decrease in placements overall. Providers may be averse to placing clients in anything that isn’t absolutely guaranteed by employers to meet outcome requirements up to 52 weeks. Current outcome placements are expected to be ongoing, however with the funding pressures of a 52 week outcome this may add another level of certainty to be met by employers which could result in a drop in overall placements due to the changing labour market.

It is also prudent to outline the separation in framework from traditional employment services that a 52 Outcome would present. This would make any further comparisons between other employment services and DES difficult to justify.

**Recommendation:**

While the 52 Week Outcome measures the ongoing nature of a job placement, beyond 26 weeks performance toward a 52 Week Outcome will more likely be driven by appropriate Post-Placement Support and client servicing, in which case Client choice and the option to change Providers where an inadequate service is delivered will drive Providers to deliver appropriate Post-Placement Support. This will negate the need for a 52 week Outcome while avoiding the issues mentioned above that are associated with a 52 week Outcome.

***Current DES Performance***

The current performance of the DES program needs to be considered with respect to policy changes affecting participation requirements for those in receipt of income support payments. Changes implemented post-2010 have increased the number of individuals required to participate in DES. Previously, these individuals affected by policy changes would not have had any participation requirements due to the nature and impact of their disability or condition. They would have had the option of ceasing participation if they were unable to participate due to factors not accurately reflected in a work capacity assessment.

Changes to policy which have resulted in a change to the overall characteristics of the DES client base include:

* Cohorts of Disability Support Pension recipients now having participation requirements.
* Tightening of requirements to obtain the Disability Support Pension.
* Reassessment of Disability Support Pension recipients under revised eligibility requirements.
* Those applying for the Disability Support Pension being required to participate in a “Program of Support” such as DES to demonstrate work incapacity.
* Increasing the number of hours of work per week for particular job seekers to achieve an “Outcome”.

While the DES program should engage and support all people with a disability who wish to be given the respect and right to benefit from employment in the open labour market, the impact of the above policy changes need to be considered with regard to the additional time and supports necessary to prepare and support job seekers, and secure suitable opportunities for a client base of which many were previously not required to participate.

***In Summary***

The inclusion of greater job seeker choice into any new framework should be pursued. Many of the recommendations such as job seeker choice need to be included with appropriate consideration given to the viability of Providers, fair and equitable competition in the marketplace, increases in funding requirements and of particular importance will be the impact on employers.

Although all programs can always improve their practices, there needs to be fair consideration given to factors external to each DES Provider’s operations that have also impacted on the number of outcomes being achieved in DES. Many of the current principles in DES have resulted in a far greater number of people with a disability being placed into employment and achieving Outcomes when compared to the previous disability employment contract. So while there will definitely be room for improvement to the DES program, care needs to be given so that progress in the disability employment sector is not lost through dramatic change.

While some of the proposed changes will be necessary, some may no longer be required due to the quality of service and Provider behaviour that is naturally driven by a strong job seeker choice framework. However it is important to also note that an employment service which requires participants to engage should not solely rely on job seeker choice to drive all the desired service characteristics which are sought from within the industry.