



# The Next Disability Employment Service

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*Jobs Australia acknowledges the traditional owners of country throughout Australia and their continuing connection to land and community. We pay our respects to them and their cultures, and to the elders both past and present.*

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## 1. Executive Summary

Jobs Australia held a full day facilitated workshop with Members and representatives of DSS on 17 August 2023 to inform recommendations on the next Disability Employment Services (DES) program. The workshop built on earlier work by Members through regular Clarion Calls and was supplemented by research and briefing notes prepared by Jobs Australia. This has resulted in 34 recommendations.

DSS has requested Jobs Australia prioritise the recommendations. Although all recommendations are valuable and will improve the DES program, Jobs Australia Members have selected the seven recommendations with the highest priority.

### HIGHEST PRIORITY RECOMMENDATIONS

- Recommendation 6: **Providers need to be community Not for Profit (NFP) organisations embedded in their communities.**
- Recommendation 9: **Star Ratings or similar should be retained but simplified and made more transparent.**
- Recommendation 10: **The first step required in the reform process is to conduct case studies of services performing best with the different cohorts. The data exists to commence this process straight away. Results should then be shared.**
- Recommendation 11: **Eligibility – reinstate non-allowees.**
- Recommendation 17: **Ongoing Support (OS) should be paid quarterly as an outcome payment with the outcome being continued employment. No other criteria is required.**
- Recommendation 20: **Funding Model – a proper understanding of the real cost of service delivery is required to inform the next funding model. Jobs Australia Members have volunteered to supply information.**
- Recommendation 31: **Workforce – introduce system level skills and competency standards funded by government investment.**

## 2. Recommendations

***Purpose:** Supporting Australians with assessed disability, injury or health condition and capacity to work in the open labour market to find and retain suitable employment.*

### 2.1.1 Principles of the new service.

- Support and empower participants to achieve full social and economic participation through open employment
- Person centered services that build confidence, address isolation and support employment aspirations
- Focus on participants strengths
- Help Close the Gap for Indigenous Australians with a disability in employment and economic opportunity

### 2.1.2 Key measures of success.

- Increasing the number of people with a disability in open employment
- Increasing the number of employment outcomes (26 weeks)
- Higher service quality ratings for providers

### 2.1.3 Program design - Government should decide the outcomes required and allow providers flexibility in service delivery design. Prescription of minimum service standards is worth consideration.

A fundamental issue of the balance between government being prescriptive in service delivery and allowing providers flexibility needs to be considered. Prescribing some minimum service standards would allow some safeguarding whilst allowing room for flexibility and innovation.

Professor Mark Considine opposes leaving the prescription of service delivery to employment service providers in Workforce Australia and refers to that as 'black box' contracting by government - "Black-box contracting gives license to agents to ignore, under-service and exploit their clients. Fraud then becomes the preoccupation of regulators."

This is a pessimistic view of provider behaviour and not one that is supported by the results of the rigorous assurance framework surrounding DES.

#### 2.1.4 The separation of participants into DMS and ESS should remain.

The two cohorts do have significant differences and needs. The higher funding of ESS and availability of Ongoing Support in ESS reflects the higher needs of ESS participants to achieve sustainable employment.

#### 2.1.5 The number of providers should be linked to the number of participants in a region to ensure financial viability. There are currently too many providers in too many ESA's.

The Select Committee Inquiry into Workforce Australia has been clear the number of providers in employment services should be limited to minimise competition and promote collaboration amongst providers. Providers report many sites with low caseloads that are losing money. The open market licensing system and removal of market share have negatively impacted providers, quality of service and participants. The issue is most evident in thin markets in regional areas.

The Select Committee Chair, Julian Hill, has stated:

“It's catch and kill your own with the relationships with the employers. I am getting increasingly bemused by the extent of the competition. I have started observing that publicly. It's just bizarre having 11 agencies all tripping over each other and treating employer relationships like capital that they fight over and won't share.”

#### 2.1.6 Providers need to be community NFP organisations embedded in their communities.

These organisations are best placed to address the needs of a particular community, as they have the trust and connections to bring together disability, health, allied health and other community service organisations. People with a disability comprise many complex cohorts requiring varied and complex supports. Sound local knowledge and trusted relationships between providers and these services is critical to participants employment journey. NFP's have the advantage over For-Profit (FP) organisations in longevity and connectivity in communities. FP's leave and enter communities depending on current contracts and commercial considerations.

The benefits of community NFP's embedded in their communities delivering employment services has received much favourable comment from the Select Committee. Julian Hill posed the question “I have heard much evidence supporting getting NFP's 'back in the game' but no-one has told me how we can make this happen?”

Professor Mark Considine states in his book *The Careless State*: “The needs of profit seeking enterprises is difficult to reconcile with the best interests of vulnerable clients and the public interest....Corporation law requires priority be given to the interests of shareholders.”

#### 2.1.7 Communities of Practice – Government should support these and consider funding organisations to facilitate.

In their interim report into ParentsNext the Select Committee recommended:

*“Government actively support communities of practice, and mandate participation by service providers to enable information-sharing between stakeholders and to ensure that providers input into policy and program evaluation and design.”*

Jobs Australia does not recommend government mandating participation but rather encourage and support participation.

Connection through communities of practice and independent research institutions will assist the achievement of better results and higher standards.

#### 2.1.8 A performance framework that measures the progress of participants and the quality of the service is required. Existing measures in NSDS standards and audits should be included but not duplicated.

A new Quality Framework has been introduced in a phased approach from 1 July 2023. The framework aims to strengthen KPI 3 – Quality by placing participants at the centre of service. Improving the quality of service is supported.

It is worth noting the DES program has had quality assurance compliant with Disability and Discrimination Legislation and the National Standards for Disability Services for 20 years. These have been supported by external auditing and accreditation.

Outcomes still need to be a focus. The Centre for International Economics advises that based on literature and experience around the world it is crucial to take a consistent outcomes-based approach to policy. That is “open employment should be funded according to actual outcomes without intermediate attempts to control inputs.”

### 2.1.9 Star Ratings or similar should be retained but simplified and made more transparent.

The Star Ratings were a very genuine attempt to enable fair comparisons across services allowing for different populations, different localities etc. Despite current problems with Star Ratings something similar will be needed going forward. The DES program deserves praise for introducing the Stars and serious consequences for poor performance. Consequences are important because change management theory identifies complacency as the biggest barrier to change.

The likelihood of repeating the recent problems with the Star Ratings could be reduced by:

- Making future 'Star Ratings' calculations as simple and transparent as possible (rather than a black box).
- Conducting face validity checks using the Outcomes by Type of Disability data for disability and locality comparisons whenever a services 'Star Percentage' varied markedly.

The most recently rebuilt stars have issues with fairness and accuracy, particularly in Victoria where extended lockdowns have skewed the data.

### 2.1.10 The first step required in the reform process is to conduct case studies of services performing best with the different cohorts. The data exists to commence this process straight away. Results should then be shared.

A better understanding of:

- (i) how participants with multiple barriers find and maintain employment and
- (ii) service provider attitudes and practices

through targeted case studies and more in-depth analysis and reporting of DES data could help identify elements of good practice

### 2.1.11 Eligibility – reinstate non-allowees.

There was no support for excluding any of the current eligible participants. DES is a demand driven service and should remain so. It was acknowledged, however, that if forced to restrict eligibility, those with the more significant disability and the greatest need for employment support should be given priority.

The 2018 reforms increased access to DES by allowing more people to join voluntarily rather than only when referred by Centrelink, known as non-allowees. These were



typically young people still living at home. This cohort was removed from DES in 2021 following the mid-term review by Boston Consulting Group (BCG). This was despite achieving the highest outcome rates.

The Minister for NDIS, Bill Shorten, has advised denying these young people with a disability access to DES is “wrong.” The 30-hour benchmarks were also removed.

The Improving Disability Employment Study (IDES) (2021) when examining the BCG recommendation stated:

“We remain unconvinced this means job-seekers with disabilities assessed as having a greater capacity to gain and maintain work should be diverted away from the DES program towards the government’s mainstream employment program. This proposed program change requires more analysis of how this may influence employment outcomes, with research demonstrating job-seekers with disabilities feel less well-supported within the mainstream employment program.”

While the removal of this cohort produces cost-savings for the DES program, it is likely that these savings will be shifted to the mainstream employment program and potentially onto to other systems such as health.

The mid-term review by BCG recommended consideration of alternative segmentation of participants based on needs, disability type etc. and create a more differentiated service model. Segmentation approaches should be based on best practice service models, qualitative research on the needs of different segments, data driven assessment of outcomes, expected costs to service and benefits to government.

Jobs Australia is not aware of this work having yet been undertaken.

#### 2.1.12 NDIS/DES pathways pilot – simplicity is the key.

The Department of Social Services (DSS) has been consulting with people with disability, employers, academics, disability representative organisations and providers on the barriers to access the current DES program. Feedback indicates the interaction between the DES program and the NDIS is complex and confusing. Providers and participants report confusion as to what services are available under the NDIS and DES and the relationship between them, with a perception that people eligible for the NDIS are not eligible for supports under DES. Many stakeholders

called for clear pathways between the two, including greater collaboration and information sharing to reduce silos and potential duplication.

In 2021, the NDIA published [research](#) on the barriers and enablers to employment based on interviews and surveys with NDIS participants, families, and service delivery staff (LACs and planners). The research found “a general consensus that specific guidance on employment pathways and support is needed.”

Jobs Australia advocates a review of what works first, and then incorporate these findings into the program. A FAQ for providers produced by DSS would be beneficial.

#### 2.1.13 Reduce the “real marginal tax rate” of participants who gain employment.

Adding to the complexity is a large amount of misinformation about the ability of people to work while retaining their Disability Support Pension (DSP). Feedback from DSS consultations and submissions to the Select Committee and Disability Royal Commission all indicated that there is often confusion and anxiety around the interaction between the DES program and the DSP. Many people with disability are discouraged from engaging with DES or pursuing employment due to fear of losing access to their DSP or their concession card.

The reduction in benefits over and above the reduction in actual dollars received are a major barrier to seeking employment e.g., loss of health care card, eligibility for public housing, rent assistance, and cost of pharmaceuticals. Reducing these barriers to employment will contribute to an increase in employment for people with a disability.

#### 2.1.14 A separate DES stream for NDIS Participants.

One category where segmentation should be considered is the DES participants who have NDIS plans. The evidence is employment leads to savings in NDIS. When participants are attending work, they are not attending other activities and thus not drawing down on their NDIS plans.

The two cohorts that were impacted most negatively by the change to RAFLs in 2018 were ID and autism. ID funding was reduced by 42.6% and autism by 35.8%. When the lack of indexation since 2010 is factored in both these cohorts have had funding slashed approximately 80%. To continue supporting these cohorts’ providers are forced to cross-subsidise and prioritise resources. Reinstating funding would not

increase funding overall due to the NDIS funding reductions. A separate DES stream for participants with a NDIS plan is warranted.

#### 2.1.15 A financial entitlement to be used to obtain a driver's license.

The Select Committee found:

*“Access to reliable, affordable transport is a key (and growing) barrier to social and economic participation—particularly in regional, rural, and remote areas—participants should have access to a financial entitlement to be used to obtain a driver's license, including to pay for lessons and administrative fees. Barriers to obtaining a license (and lack of access to transport more generally) are systemic issues that require whole-of-government solutions. The Australian Government must work with State and Territory counterparts to address the issue as a matter of urgency. “*

#### 2.1.16 Include a Participation Plan.

The Participation Plan should be an agreement between the participant and their provider which sets out the participant's social, employment and economic goals and provides a roadmap for how those goals are to be achieved. It has proved successful in ParentsNext which supports disadvantaged parents of young children and is suited to the DES cohorts.

In examining ParentsNext the Select Committee stated there was consensus the Participation Plan should remain a core component of the replacement program. Dr Ann Nevile in her submission stated:

*“If the ParentsNext program is to achieve its policy objectives to help participants develop work and study goals, the major tool or policy instrument is the Participation Plan. For the participation plan to be effective, it really has to be a meaningful collaboration between the participants and the service providers.”*

#### 2.1.17 Ongoing Support should be paid quarterly as an outcome payment with the outcome being continued employment. No other criteria are required.

The current OS process is broken.

In OS, the outcome sought is people with a disability keeping their jobs. OS was never intended to be a formula with a set number of contacts supported by detailed documentary proof of all contacts.

The OS assessments require a range of documented evidence to assess participants' needs. These assessments provide the safeguards DSS requires to ensure funding is properly allocated to providers. As these assessments are conducted every 12-18 months any material change of circumstances will lead to a change in the funding. If the participant ceases employment the ongoing support payment also ceases. The DES program seeks to keep participants in work and ongoing support is critical to achieving this outcome.

Contacts can be a useful way of quantifying support during OS assessments however they are inappropriate for use in the DES Assurance Program. They are not required for groups where it is manifest the level of support they require.

Under the current system, providers are not paid for any contacts 'over' the prescribed 6 (Moderate) and 12 (High). In contrast, if the number of contacts is 'under' the prescribed number the funding is recovered. This is unfair and unjust to providers.

The current OS system is based on compliance with the number of direct Participant contacts, number of hours worked, claims evidence, and updated job plans. A system focused on job retention would deliver better outcomes to participants and better utilise public funds.

**2.1.18 Benchmark Hours – a lowering of the minimum 8 hours to 4 hours will allow greater participation and inclusion in the mainstream by people with significant disabilities.**

**2.1.19 Assessments – the current assessments and processes are inadequate.**

DSS committed to a review and improvement of the assessment process in the lead up to the 2018 DES procurement. This did not occur. Providers cannot properly triage caseloads and manage resources without a very meaningful assessment process.

### 2.1.20 Funding Model – a proper understanding of the real cost of service delivery is required to inform the next funding model.

Jobs Australia Members have committed to DSS to support analysis by providing financial and service delivery information to establish the actual cost of services. We await further direction from DSS.

The last comprehensive study of the actual cost of service delivery was in 2005. When case-based funding replaced block funding in 2005 – 3 years of trials were conducted where providers reported support hours for each 26 week outcome. An up-to-date analysis is critical to the success of the next DES program. How can we set funding levels for different cohorts when we do not know the cost of delivering the service?

The move in 2018 to increase the percentage of revenue linked to outcomes from 40% to 50% has placed downward pressure on upfront participant investment and further promoted a work first ideology.

The Risk Adjusted Funding Levels (RAFLs) relates the funding to the probability of people with different types of disability achieving employment. Unfortunately, they do not factor in the actual support needed and the actual cost of providing the service.

Some cohorts were impacted negatively by the introduction of the RAFLs in 2018:

Intellectual Disability (-42.6%)

Autism (-35.8%)

When you add in the CPI indexation and wage deficits since 2010 of 44.8% due to inadequate indexation adjustments you have ID suffering a decline in funding of 87.4% and autism at 80.6%. In practical terms, the previous federal government defunded these two cohorts in the DES program.

### 2.1.21 Full indexation is required.

After the introduction of case-based funding in 2005 the funding was indexed annually until 2010. There was no further indexation until July 2019. The Centre for International Economics (CIE) analysis of cost increases due to award wage and CPI increases, assuming an 80% wages component, is 44.8% between March 2010 and March 2023. The 2% indexation for 23/24 against CPI and wage increases of approximately 6% represented a further real cut to funding over 44.8%.

These indexation losses are on top of the RAFL losses in the previous paragraph.

#### 2.1.22 A five-year contract.

Providers require a level of certainty to ensure financial sustainability and stability in service delivery and access by participants. A five-year contract encourages investment in the service by providers.

#### 2.1.23 A public awareness campaign to support the new program is required.

#### 2.1.24 Flexible servicing in mode (face to face or digital), place and timing.

#### 2.1.25 Service Delivery.

There is no one size fits all approach, but evidence sees four common characteristics required for a successful DES service delivery model for successful job placement and retention\*. These are:

- An assessment process that identifies client strengths and job preferences with a view to matching the person against a job.
- Job search and job customisation to create a job that meets a genuine need for the employer whilst also matching the client's strengths and job preferences.
- Systematic instruction based on applied behaviour analysis theory. It was the introduction of systematic instruction including task analysis, prompting and reinforcement that initially demonstrated the employment potential of people with an intellectual disability in the 1970s.
- Ongoing support to meet the changing needs of clients and employers. Ongoing support is much cheaper than replacement and is the area of the program that generates significant savings to Government.

*\*Rehabilitation Research and Training Centre (RRTC) at Virginia Commonwealth University and the Centre for Disability Studies (CDS) at the University of Sydney*

#### 2.1.26 The program and service delivery should be strengths based and use a capability approach.

The focus should be on the strengths of participants and the benefits they may derive from the program. Emphasize people's potential, rather than their deficits. A focus

must also be on structure, policies, and processes that either enable or hinder people to make choices to achieve their social and economic goals.

#### 2.1.27 Increase eligibility and support for education and training outcomes.

Educational pathways and outcome payments were increased in 2018 to support participants in accessing further education and training to improve employability. The number of education outcome payments increased from \$20M/year to \$148M/year before the 2021 amendments tightened eligibility for education outcomes.

Consideration should be given to increasing eligibility and support to education and training that evidence demonstrates will increase participants likelihood of obtaining employment. Exclusion from the performance framework will remove any perverse incentives that led to the 2021 restrictions.

#### 2.1.28 School Leavers – reinstatement of eligibility and funding to pre-2018 reforms.

The intersection with school leavers is critical to the success of the next DES program. The reduction in funding and eligibility of the Eligible School Leavers (ESL) component of DES in the 2018 reforms has seen this part of the program reduce dramatically. Reinstatement of eligibility and funding for pre-2018 reforms are required.

#### 2.1.29 School Leavers Employment Supports (SLES) – focus on work experience rather than work preparation programs.

Although not a part of the DES program, SLES has an important role to play in improving employment outcomes for young people with a disability.

Achieving employment outcomes and work experience in open employment needs to be the focus. The Centre for International Economics (CIE) in their study “Keeping SLES Effective” (Aug 2021) made the following recommendations:

1. There needs to be a clearly conveyed expectation that SLES funding should lead to actual employment outcomes. There has been a long history of preparation programs that do not actually achieve open employment. An outcome focus will help ensure the adoption of practices that work.

2. It is crucial that the disincentive created by the lack of SLES outcome payments be removed. This will ensure the viability of the service and remove perverse incentives.
3. Guarantee average funding levels for different types of disability (and where appropriate severity) based on a cost study of services delivering outcomes. Attaching the money to an individual does not work. A “swings and roundabouts” approach is appropriate. You cannot accurately predict the requirements of individuals but you can accurately predict the requirements of a group.
4. Make funding available at the times when activities should be occurring e.g. allow participants to access 6-months of SLES funding during Year 12 so that assessment, travel training and customised job set up can occur during year 12 and so that cluster-based work experience can commence from January of the following year.

#### 2.1.30 Procurement – value past performance and community NFP organisations embedded in their communities.

The removal of past performance as a criteria for the Workforce Australia tender resulted in too many inexplicable and damaging results. With only one third of contracts remaining with the existing provider and selection of poor performers over proven long-term good performers the disruption has been enormous and damaging.

Despite a history of large disruptions to the providers in both mainstream employment services and DES markets, through tenders and performance reviews and reallocations, no significant improvement in performance has been achieved.

A transparent assessment criteria where performance matters is required. If the Workforce Australia tender outcome was repeated in DES, the impact on large numbers of people with a disability would be even more profound.

Community NFP's are best placed to address the needs of a particular community, as they have the trust and connections to bring together disability, health, allied health and other community service organisations. NFP's have connectivity and longevity in these communities.



### 2.1.31 Workforce – introduce system level skills and competency standards funded by government investment.

Jobs Australia recognises a need to raise the standard in recruitment, training, and retention of service delivery staff. To achieve this investment from the government is required to allow payment of competitive wages.

System-level standards are required to encourage a skilled workforce. Case studies of services with good performance are required first to determine what works and then we should train that. Lived experience should be valued and encouraged.

According to a DEWR survey, half of all employment service staff have specialist qualifications, covering disciplines like youth work, disability support, mental health, allied health, and psychology. Staff also have experience working with disengaged youth and as mentors for First Nations peoples.

Micro-credentials are preferred over accredited Cert III or IV qualifications.

Jobs and Skills Australia should include in its agenda for workforce planning a more systematic way to work with industry/employers to identify the kinds of policies and funding incentives that would remove structural obstacles to employment participation for people with a disability, especially job hours and flexibility.

### 2.1.32 SME Employers need to be incentivised.

The SME market is where the overwhelming number of jobs are coming from. There needs to be a policy setting that supports and rewards SME employers.

### 2.1.33 Independent evaluation including peer comparison and benchmarking.

A good indicator of provider transparency involves a ‘peer comparison’ of services in which the whole experience of the client is benchmarked and made part of the ongoing participant dialogue.

### 2.1.34 Open data sharing is required to enable external scrutiny and evaluation.

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