

Audit Report No. 11 2008-2009

Disability Employment Services

Background

- 4.1 Work enables individuals to participate in the social and economic life of their communities. Australian Government programs recognise that many people with disabilities can work and want to work, however sometimes there can be barriers to their employment options. Disability employment services are aimed at ensuring that people with disabilities can access quality services that provide high level and appropriate support, affording the same workplace participation rights and opportunities as other Australians.
- 4.2 There are two types of disability employment services:
- supported employment services, also known as Business Services. Business Services employ and support people (for whom competitive employment is unlikely) in specialist workplaces, such as packaging, horticulture and laundry. Over 90 per cent of Business Services' clients receive a Disability Support Pension, with the majority of clients reported to have an intellectual or learning disability; and
 - open employment services, also known as the Disability Employment Network (DEN). DEN service providers assist people with disabilities find, start and maintain employment in the open labour market. DEN clients are, on average, younger than those of Business Services, with

primary disabilities mainly spread across three main categories: intellectual/learning, psychiatric and physical/diverse. DEN has two streams:

- ⇒ capped stream – assistance, through a fixed number of places, to people with disabilities who are able to work a minimum of eight hours per week at award-based wages in the open employment market and are likely to require on-going support to retain employment once they have found a job.
- ⇒ uncapped stream – assistance to people with disabilities who are required to look for work in order to meet the part-time participation requirements associated with Government income support payments. This stream generally provides up to two years of disability employment assistance for participants assessed as able to work between 15 and 29 hours per week independently at full award wages.

4.3 The principal means for people with disabilities to access Business Services, is through self-referral by people either in receipt of, or meeting the impairment requirements to receive, the Disability Support Pension, who are not subject to part-time participation requirements. In contrast, a job-seeker needs to be assessed for their work capacity in order to access DEN. These assessments, known as Job Capability Assessments (JCAs), determine eligibility for open employment services and the DEN stream to which the person is referred. People with disabilities can also be referred to Business Services as a result of a JCA.

4.4 Business Services and DEN are tailored to the different needs of jobseekers with disabilities, but share a common goal - to achieve an employment outcome for each client. To achieve the employment outcome a phased approach is adopted that is common across all services types. The approach is defined by an:

- intake phase;
- employment assistance phase; and
- employment maintenance (or post placement) phase.

4.5 In 2006–07, the Australian Government provided \$470 million in funding to 1,072 disability employment service outlets. Of these, 654 were open employment services, and 418 supported employment services. These outlets provided services for almost 83,000 people, 73 per cent of whom accessed open employment services.

- 4.6 Services are funded on a fee-for-service case-based funding model, with fees relating to:
- type of service provided;
 - phase of employment placement;
 - level of support required; and
 - in the case of DEN service provision, the achievement of employment milestones.
- 4.7 Examples of the range of fees involved for clients with high and low support needs follow:
- a Business Services client assessed as having the highest level of support needs (level 4) with the shortest possible assessment phase (three months), will attract a combined intake and assessment fee of \$2,180 and an on-going employment maintenance fee of \$13,020 per annum; and
 - a DEN uncapped stream participant assessed as having the lowest level of support needs and supported by the service for the minimum period to successfully achieve an employment outcome, will attract the following fees:
 - ⇒ intake and assessment fees of \$913;
 - ⇒ employment assistance over three months and three month post-placement of \$247.50 per month, totalling \$1,485; and
 - ⇒ full employment outcome fees at 4-weeks, 13-weeks, 26-weeks and additional outcome fee, totalling \$5,170.

Administrative responsibilities

- 4.8 Disability employment services are funded by the Australian Government under the Commonwealth State/Territory Disability Agreement (CSTDA). The CSTDA provides a national framework for the delivery, funding and development of specialist disability services. The CSTDA specifies that the Commonwealth has sole responsibility for the planning, policy setting, funding and management of disability employment services.
- 4.9 The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) is the Australian Government department with overall policy responsibility for people with disabilities. This includes the CSTDA's administrative requirements and ensuring that all providers delivering funded employment services meet quality standards.

- 4.10 The role of administering the delivery of disability employment services is split between FaHCSIA, responsible for Business Services and the Department of Education, Employment and Workplace Relations (DEEWR), responsible for DEN.

Recent and current developments

- 4.11 The CSTDA is in its third iteration and, at its commencement, covered the period July 2002 to June 2007. However, following the reforms to the Commonwealth-State funding arrangements announced by the Council of Australian Governments (COAG) in March 2008, the period of the agreement was extended to 31 December 2008. As part of the COAG reforms, a new National Disability Agreement, replaced the CSTDA as of 1 January 2009.
- 4.12 Disability employment services have undergone considerable change over the course of the third CSTDA (and its extension to 2008), including the introduction of:
- third-party accredited quality assurance certification;
 - a fee-for-service case based funding (CBF) model;
 - new income support eligibility and part-time participation requirements, introducing a second open employment service stream (the uncapped stream);
 - JCAs to direct job seekers to the most suitable support service; and
 - DEEWR as the department with responsibility for open employment services.
- 4.13 Further initiatives underway will impact on DEN service provision. The Australian Government intends to implement a new approach to employment services including disability employment. To inform the new approach a review of universal employment services, *The Future of Employment Services in Australia*, was undertaken. A further *Review of Disability Employment Services*, aimed at improving DEN and Vocational Rehabilitation Services, is drawing on the outcomes of the universal employment services review and the development of the *National Mental Health and Disability Employment Strategy*. Contracts with DEN service providers will be extended until 28 February 2010, so that service provision in the subsequent contract period can reflect the outcome of the *Review of Disability Employment Services*.

The audit

Audit Objectives

- 4.14 The objective of the audit was to assess how effectively FaHCSIA and DEEWR have undertaken their roles and responsibilities for specialist disability employment services under the current (third) CSTDA.
- 4.15 The two major criteria for the audit were whether:
- FaHCSIA and DEEWR effectively planned, managed and implemented policy for the provision of specialist disability employment services under the CSTDA; and
 - FaHCSIA and DEEWR met relevant reporting requirements for the specialist disability employment services they were respectively responsible for under the current CSTDA.

Audit Conclusions

- 4.16 The audit report made the following conclusion:

The period of the third CSTDA 2002–2007 (including its extension to 2008) has been characterised by many fundamental changes to the disability employment services delivery model. These have included changes to: the way service quality is assessed; how services are funded; the eligibility criteria and types of funded service provision; and the means by which job-seekers are placed with service providers.

Business Services and DEN aim to achieve an employment outcome for every client; however each program is designed to provide a different disability employment service, depending on the job-seeker's individual circumstances. In particular:

- Business Services aim to employ people with disabilities on an on-going basis, with FaHCSIA responsible for funding the services provided to individuals by Business Services providers; and
- DEN assists people with disabilities seeking employment in the open employment market. DEEWR is responsible for funding the services provided to individuals by DEN providers.

The Business Services placements largely come about through self-referrals whereas DEN relies on JCAs.

During the third CSTDA, FaHCSIA and DEEWR have responded to the changing environment and effectively planned, managed and implemented policy initiatives in the disability employment sector. In particular:

- policies and procedures implemented by FaHCSIA and DEEWR have supported the integration of JCAs with disability employment services, recognising that Business Services placements are largely through self referral. Further, in recognition that an individual's situation can change, FaHCSIA has sought to address some of the barriers to movement from supported to open employment services through measures such as guaranteeing a place in a Business Service up to two years after clients commence trialling DEN services;
- the introduction of CBF has contributed to greater numbers of clients in both the Business Services and DEN streams achieving employment outcomes than under the Block Grant Funding (BGF) model. In particular, 92 per cent of Business Services clients achieved an employment outcome in 2006–07, 20 per cent higher than in the period prior to the introduction of CBF. Similarly, employment outcomes for capped DEN clients increased by 18 per cent with the introduction of CBF;
- the successful implementation of the *Quality Strategy for Disability Employment Services and Rehabilitation Services*. All service providers achieved third-party accredited quality assurance certification by the legislated deadline of 31 December 2004; and
- the establishment and improvement in the contract monitoring and reporting frameworks for Business Services and DEN providers.

Disability employment services is a mature program reflected by its administration and outcomes. Nonetheless, there remain issues that need to be addressed. These issues arise from the complexity of the funding model and balancing accountability and administrative workloads on service providers. In particular:

- there is a risk that some Business Service providers are not fully complying with contract requirements by extending the period in which clients, with lower support needs, remain in the employment assistance phase rather than progress to the employment maintenance phase, to maximise the fees they can claim from FaHCSIA. This risk is currently not adequately managed, with evidence indicating that it is occurring;
- DEEWR has an IT system that assists DEN providers to make accurate payment claims. However, the IT system does not give DEN providers assurance of the accuracy of total payments from DEEWR. This places an unnecessary administrative

workload on providers as the complexity of DEN funding models does not facilitate a straightforward determination of this amount by service providers; and

- DEEWR uses its general employment services framework to monitor and report on its DEN providers and this is overlaid with the quality assurance audits administered by FaHCSIA. While comprehensive, DEEWR's model has resulted in providers raising concerns about administrative workload, particularly around duplication of information provision requirements.

While there have been improvements in data collection for performance reporting required under the CSTDA, the reporting of the performance data remains fragmented, is significantly delayed in its public release and does not fully address the requirements set out in the CSTDA. As such, the ANAO considers that the reporting requirements under the CSTDA have not been fully met. The ANAO has made four recommendations to assist FaHCSIA and DEEWR address the identified issues that arise from the complexity of the funding model; balancing accountability and administrative workloads on service providers; and the capture and reporting of performance data.

Further changes to Business Services and DEN can be expected with the re-negotiation of the CSTDA under the new COAG architecture and following the outcome of the *Review of Disability Employment Services*. This provides an opportunity for FaHCSIA and DEEWR to refine their approaches, including addressing the issues highlighted in this report.¹

1 Australian National Audit Officer (ANAO) Audit Report No. 11, 2008-09, pp. 20-24.

ANAO Recommendations

4.17 The ANAO made the following recommendations:

Table 1.1 ANAO Recommendations, Audit Report No. 11 2008-09

1.	To minimise the risk that Business Services' providers delay the completion of a Disability Maintenance Instrument (DMI) to maximise their funding from the Australian Government, the ANAO recommends that FaHCSIA: a) identify and follow up service providers that delay the completion of DMIs following the achievement of 13-week employment outcomes; and b) in its review of the Disability Business Service Audit and Compliance Strategy, address the risk that service providers inaccurately record hours and wages in the FaHCSIA Online Funding Management System. <i>FaHCSIA response: Agreed</i>
2.	The ANAO recommends that DEEWR provide sufficient information to Disability Employment Network providers to allow reconciliation of payments against claims for individual clients. <i>DEEWR response: Agreed</i>
3.	In the context of DEEWR's plans to streamline compliance activities, the ANAO recommends that DEEWR evaluate the impact of initiatives aimed at reducing the administrative workload of Disability Employment Network providers. <i>DEEWR response: Agreed</i>
4.	The ANAO recommends that FaHCSIA works with the Disability Policy and Research Working Group to ensure that: a) all performance indicators specified in the Commonwealth State/Territory Disability Agreement (CSTDA) Schedule A3 are reported in publicly available documents; and b) all reporting against performance indicators, as specified in the current CSTDA and any future disability services agreement with states and territories, are published in one primary document, such as the CSTDA Annual Public Report. <i>FaHCSIA response: Agreed</i>

The Committee's review

4.18 The Committee held a public hearing on Wednesday 18 March 2009, with the following witnesses:

- Australian National Audit Office (ANAO);
- Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA); and
- Department of Education, Employment and Workplace Relations (DEEWR).

4.19 The Committee took evidence on the following issues:

- movement between employment services;
- measurement and reporting of employment services;
- service provider compliance; and
- measurement of objectives.

Movement between employment services

- 4.20 Disabled job seekers may, due to a change in circumstances find it advantageous to move from one employment service to another. The Government identified this in its *Review of Disability Employment Services* saying that “Job seekers should be able to move as seamlessly as possible to a more appropriate service if their circumstances change.”²
- 4.21 The ANAO concluded that FaHCSIA had implemented suitable procedures and policies to allow clients with disabilities to move from the DEN environment to the Business Services environment when the circumstances of the clients changed. However, for a client to move from the Business Services environment to the DEN environment they had to undergo JCA to access these services. The JCA is necessary to enter the DEN as it provides information on the support requirements and future work capacity of job seekers.
- 4.22 The Committee asked whether requiring Business Service clients to undergo the JCA to access the DEN services was an unnecessary constraint. DEEWR explained that the difference between the two clients groups is their capacity to work in the open labour market. Business Service clients have been assessed as “unlikely to be able to find or retain work in the open labour market”.³ Therefore, if such a client wanted to access the DEN services, they would need to undergo a JCA to ensure they were provided with an adequate level of support to succeed in the open labour market.

Measurement and reporting for employment services

- 4.23 While not covered by the audit report, the Committee inquired of FaHCSIA whether it was able to measure the unmet need for employment services. FaHCSIA currently has no mechanisms, nor performance indicators for determining the unmet need for disability employment

2 Department of Education, Employment and Workplace Relations (DEEWR), *Review of Disability Employment Services: a discussion paper*, 2008, p. 10.

3 DEEWR, Submission no 11.

services. However, FaHCSIA will be attempting to measure unmet need as part of the new disability agreement performance indicator reporting.

- 4.24 FaHCSIA and DEEWR confirmed for the Committee they were able to meet the new reporting requirements in the COAG agreement. Both agencies believe they have the capacity to disaggregate the necessary data for reporting purposes. FaHCSIA believes the new reporting requirements will not impact on the implementation of recommendations made by the ANAO around reporting.

Service provider compliance

- 4.25 The ANAO identified a risk to the case based funding model. Employment service providers receive a monthly employment assistance fee for up to 12 months while assessing a person's ongoing support needs. This culminates in the completion of a Disability Maintenance Instrument (DMI) when the person achieves an employment outcome. Once a person achieves an employment outcome the service providers receive an employment maintenance fee at one of four levels determined by the DMI's assessment of the ongoing support needed by the person.
- 4.26 The ANAO identified that a service provider could delay the assessment of a person with low ongoing support needs and receive a higher monthly fee than if the assessment was conducted in a timely manner. This occurs because the fee employment maintenance fee for people with a low ongoing support need is lower than the monthly employment assistance fee. FaHCSIA had identified this risk and introduced measures to minimise the impact of the risk however, the ANAO determined that these measures were not sufficient and made recommendations to further minimise this risk.
- 4.27 FaHCSIA informed the Committee that following the ANAO's recommendation it had taken additional steps to strengthen measures in this area. These included a 'risk management approach to sampling from each Australian disability enterprise';⁴ changes to the online funding management system; and more education for service providers to remind them of their obligations. FaHCSIA's audits of service providers will now assess hours and wage records to ensure they match the online funding management system. At the hearing the ANAO commented that while

4 Mr Bartolo, Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Wednesday 18 March 2009, p. 3.

they 'had not had a chance to test those... they would be sound and helpful and go towards addressing the recommendation.'⁵

Measurement of objectives

- 4.28 The ANAO found that the monitoring and reporting by FaHCSIA of supported employment services was a robust approach to managing significant risks. DEEWR's monitoring and reporting of DEN providers was consistent but could be improved by reducing the administrative workload on DEN providers. The reporting and monitoring of open employment services were limited due to a lack of clarity of how providers could improve services. Recommendations were made by the ANAO to improve these areas.
- 4.29 The CSTDA's objective is to 'strive to enhance the quality of life experienced by people with disability through assisting them to live as valued and participating members of the community.'⁶ The Committee inquired as to whether achievement of this objective is measured. While FaHCSIA was certain that Business Services had improved it had not undertaken any measurement of whether Business Services was enhancing the quality of life experienced by people with disabilities. That this is not measured means that the agencies involved have no way of determining how effective their efforts are in enhancing the quality of life experienced by people with disability.

5 Mr Williamson, ANAO. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Wednesday 18 March 2009, p. 3.

6 FaHCSIA, *Agreement between the Commonwealth of Australia and the States and Territories of Australia in relation to Disability Services*, Canberra, 2007.

Recommendation 3

That the Department of Families, Housing, Community Services, and Indigenous Affairs and the Department of Education, Employment and Workplace Relations monitor and report within 12 months of the tabling of this report, on progress towards achieving the Commonwealth State/Territory Disability Agreement objective of 'striving to enhance the quality of life experienced by people with disability through assisting them to live as valued and participating members of the community'.

Conclusion

- 4.30 The Committee acknowledges that FaHCSIA and DEEWR have effectively planned, managed and implemented policy initiatives in the disability employment services sector. The Committee is satisfied with the implementation of the ANAO recommendations and believes these will enable the agencies to fully meet the CSTDA reporting requirements in future and strengthen control around service provider compliance. Implementation of the Committee's recommendation will provide a measure of the success of the program as a whole against its purpose.