

12 February 2008

The Hon Brendan O'Connor MP
Minister for Employment Participation
Parliament House
CANBERRA ACT 2600

Dear Minister

Thank you for the opportunity to provide comments on how employment services can be improved. As a DEN capped service provider, I can make informed comment about my experience working with DEEWR's program guidelines and I welcome the opportunity to do so.

I consider that you will need to change DEEWR policy and administrative arrangements for the DEN Capped Program to ensure compliance with relevant legislative provisions and to achieve the new Federal Government's Agenda for Social Inclusion.

DEEWR'S process-driven, highly prescriptive program management and compliance measures, together with DEEWR's one-size-fits-all approach to policy implementation and performance measures, mean that providers of assistance to mentally ill clients, who vary greatly one from another and, indeed, each of whom vary widely within themselves over time, cannot satisfy their clients or DEEWR.

DEN providers have to comply with a huge array of administrative tasks and regulations while simultaneously managing a disability program where individual service performance is measured by (a) an artificial set of client outcomes (b) DEEWR auditing of client files for compliance with administrative regulations, (c) daily external monitoring of activity levels on the EA3000 system and (d) annual external auditing of provider's compliance with the national Disability Service Standards. DEEWR, following the ideology of market fundamentalism, pits the few DEN providers in competition with each other to secure ongoing funding and new business allocations according to 'success' defined not according to how well clients are doing, but whether a set of rules have been satisfied. These rules, set on the assumption of stable disability and little client individual variation, are about as appropriate for true service provision as would occur if road rules were used to run air traffic.

Competition makes providers selective about accepting clients who can improve the provider's performance ranking and avoid clients perceived to have poor employment prospects. This 'skimming' or 'gaming' is the antithesis of social inclusion.

Furthermore, DEEWR's DEN program measures are antithetical to the intent and spirit of the *Disability Services Act 1986*. Specific compliance measures for the DEN program appear to contravene the Disability Service Standards (DEWR) 2007.

With regard to the principle of social inclusion, DEEWR's policy approach to Disability Employment Support warrants urgent change. The following matters are especially urgently in need of radical change:

Key Points

- The DEEWR “one-size-fits-all” disability employment policy framework, as demonstrated by generic assessment instruments to determine the support needs of **all** disability groups – developmental, physical and psychiatric – fails to address the subtle, complex and specific barriers confronting people with mental illness when accessing vocational training and employment support.
- The plodding, obsessive pursuit of uniformity in policy and program administration has excluded far too many people with disabilities from access to the quality of support needed to achieve vocational and employment outcomes. Mental health and psychiatric disability specialist employment support programs should be treated in a manner *suited to achieving the best results for their clients*, and not by using a generic policy approach.
- Government policy should acknowledge the need for appropriate and specific policy approaches to address the complex, distinctive, fluctuating and variable needs of people with mental illness and psychiatric disability in regard to vocational training, vocational rehabilitation and employment support.
- JCA, PSP and VRS funds should be re-allocated and integrated with DEN program funding to develop an integrated, cohesive, coordinated and comprehensive disability employment support program designed to address the Government’s Social Inclusion Agenda.
- The DEN capped program provides support for the most disabled group of job seekers. Many clients in the capped program could not cope with the demands of mainstream vocational training and educational programs. DEN providers do not have access to funds quarantined for vocational training or education for clients unable to participate in mainstream programs. In light of this inequitable situation for DEN clients, DEEWR should provide incentives for DEN providers to achieve client outcomes in individually-tailored vocational training or educational programs.
- DSP recipients who come for help with job seeking are subjected to a formal review of their DSP entitlement before being given access to employment services and warned that the review may lead to cancellation of their DSP payments. This effectively excludes many people from pursuing employment opportunity.
- The Job Capacity Assessment guidelines and procedures are inappropriate for the purpose of identifying the most suitable employment program for individual job seekers with a mental illness or psychiatric disability.

In the attached submission, I have set out arguments and evidence to support the suggestions listed above. My commentary provides explanations about relevant aspects of PEP’s service delivery model to delineate between mental health specialist programs and generalist disability programs.

Yours sincerely

Lynne Flemming
Chief Executive Officer

SUBMISSION TO THE HON BRENDAN O'CONNOR MP

PEP Employment Inc is a not for profit community-based organisation governed by a Board. Professor Stephen Leeder is the chairperson. PEP Employment was initially established in 1994 with funding from the Department of Family and Community Services.

PEP Employment operates a DEN capped program providing support for people with mental health problems, including alcohol and drug dependence. We have 230 allocated places across two sites and operate at 100% capacity at each site. Our client throughput is high in order to meet the demand for our service and ensure that those with greatest need are given priority in accessing our service. In our current contract with DEEWR, we have supported 835 clients to date since July 2006. Yet this efficiency comes at a cost to PEP Employment in regard to Star Ratings performance. Our Star Rating is 3.5, a perverse incentive if ever there was!

PEP Employment provides formal education support for clients aged between 15yrs and 18yrs (we enrol clients, who have a capacity to benefit, in OTEN courses and provide tuition on-site 4 days a week) and vocational rehabilitation and training for clients in any age-group. PEP is not funded to provide these essential but additional programs, but we manage to do so from our capped program DEEWR income. Our only source of funding is the capped program.

When DEN was being transitioned to DEWR in 2006, providers were asked to vote on the question of access to the **Job Seeker Account** for client training purposes. PEP Employment voted an emphatic YES and I provided ACE National (the DEN sector's peak-body) with my submission. When ACE announced that the DEN providers had voted unanimously against the proposal and rejected the Job Seeker Account, I protested that I had voted "Yes", which led me to wonder how many other voters were disenfranchised. I have had no further contact with ACE.

I was aware that other capped DEN providers didn't want the **Job Seeker Account** but I thought it was a golden opportunity for our clients. It is a good example of the fact that the challenges facing people with mental illness in entering or returning to the workforce can be markedly different to the needs of people with intellectual and physical disability.

Lack of access to the **Job Seeker Account** was a major disappointment to PEP Employment and I hope that individual DEN providers might be offered the option to access vocational training funds in the near future. The DEN capped program procedures assume a degree of uniformity in client needs that simply does not exist.

DEEWR's approach to disability programs is certainly stream-lined but departmental efficiency savings in this regard are made at the expense of "providing services that are relevant to the circumstances and needs of the job seeker" (An Australian Social Inclusion Agenda, p6) and transfer the administrative burden to service-providers.

1. Education, Vocational Training and Skill Development

1.1 For reasons directly associated with a client's learning disability, mental illness or behavioural disorder, the option of studying or training in a group setting may not be realistic. However, barriers to the acquisition of vocational skills or to achieving outcomes in education courses can sometimes be overcome with intensive assistance in a supportive, individually-tailored program. This is, in our view, worth trying.

- 1.2 PEP Employment has been assisting 15-18yr old clients undertake education courses over the past four years. Most clients in this group have not attended school regularly since age 12yrs. At present we have ten adolescent clients enrolled in formal education programs. To date, five clients have attained their School Certificate equivalent, which in NSW is the General Certificate in Vocational Education, delivered through OTEN home-based learning course offered by TAFE. Many of our young clients require literacy and numeracy remediation before commencing an OTEN course. The diagnostic categories for clients in this program include Oppositional Defiance Disorder, ADHD, Asperger's Syndrome, school phobia, social anxiety and specific learning disorders.
- 1.3 We provide intensive tuition four days a week on site at Gosford and integrate this support with therapeutic interventions, motivational therapy and work experience placements. Where appropriate, 15-18yr old clients are also placed in part-time paid employment while continuing with their school study program at PEP Employment. .
- 1.4 Clients in this group may also participate in vocational training in our in-house carpentry workshop sessions and music theory sessions. The intensive workshops are designed to improve social behaviour, ability to follow instructions, concentration and ability to stay-on-task. Clients participate with enthusiasm because they are motivated to learn woodwork skills and/or play musical instruments. The staff ratio is 2:4.
- 1.5 Obviously these interventions are expensive for PEP, but the positive results justify the expense. *We do not receive any funding for skill training, rehabilitation or education programs.* Thus, we can only offer these programs to a limited number of clients and access is determined on the basis of greatest need and capacity to benefit.
- 1.6 **The value of individually-tailored vocational training combined with therapeutic interventions for young people with disruptive and oppositional behaviours is worthy of investigation. PEP's program could be used as a pilot for interested researchers.**
- 1.7 PEP Employment has supported a large number of clients, both employed and unemployed, to complete accredited vocational qualifications at the Certificate 111, IV and Diploma levels, through TAFE, TAFE Plus and private sector institutions. We provide tuition support and assistance with fees, text books and equipment. The cost of course fees alone is generally between \$1000 and \$2000 per course. Courses offered at TAFE for a fee of say \$560, such as Assistant in Nursing, can take 12 months to complete. The same course offered by the for-profit education sector at a cost of \$1350, can be completed in three months, while clients maintain part-time employment. For our client group, the motivation needed to complete a course is higher if the completion date is short-term. Thus, we generally pay the private sector fees.
- 1.8 ***There are neither performance nor financial incentives for PEP Employment to persist with supporting education or vocational training. In fact, the DEN Star Ratings provide disincentives. We celebrate our clients who attain their educational goals with our support but it is a well-kept secret.***

In contrast to other DEEWR employment programs, the capped program does not recognise educational outcomes as a performance measure or outcome measure for providers. Other employment programs achieve outcomes simply by enrolling clients in accredited courses. This inequity

represents a disincentive for the capped program to support clients to achieve educational and vocational training outcomes.

The Participation and Employment section in the Australian Social Inclusion Agenda cites the following principles, among others:

- Providing meaningful incentives for training which will improve the employability of job seekers;
- Ensuring there are means for job seekers who are in need of training to get that training.

Yet it seems that DEEWR provides incentives to employment services to access training for all but the most disabled clients. The capped program comprises the most disabled group of job seekers. I fear that the capped program performance measures have a discriminatory impact on client access to training based on disability status compared with other DEEWR funded disability employment programs.

2. Performance Management Principles and Star Ratings for DEN Capped Program

2.1 Provider Access to Program Performance Data

I contacted DEEWR's national office in December 2007 asking for data on utilisation rates and waiting lists for the national capped program for the purpose of writing a submission to the incoming Minister. I spoke with Steve Erskine, who told me that the information could not be released. Thus, I am not in a position to identify whether the strong demand for our service is specifically related to our specialist mental health status or local labour market region or if it reflects an unmet need across DEN capped programs generally. I also asked Mr. Erskine about data for the utilisation rates in the uncapped program, but again, these program data could not be released.

Lack of access to relevant data impedes strategic planning for PEP's future development. More and more clients are being referred to us who need to travel up to 50kms or more to attend our offices. The cost of travel is beyond their capacity to pay so PEP reimburses travel costs. Most of the clients in this situation have been with other providers closer to their residential location before being referred to PEP Employment.

I am trying to work out the best cost-effective and quality service option, which depends on identifying if this trend reflects a short-term or long-term change. Do we open new office sites to accommodate the change in referral locations? Is it related to performance in the uncapped program? There are several possibilities. Access to data on utilisation rates for capped and uncapped providers in these areas would be helpful for service planning. **Opening new site offices is a major financial and time-consuming venture but DEEWR does not release evidence on which to base such critical decisions.**

2.2 Star Ratings and Access to Services

2.2.1. The Star Ratings system for the capped program rewards providers who maintain clients on the program long after the 26 weeks employment outcome has been achieved and punishes those providers who exit clients as independent workers because they no longer need regular support and accept new clients to fill the vacated places.

- 2.2.2 The rationale behind DEEWR's Star Ratings for the capped program is flawed. By definition, a capped program has limited places. To maximize your Star Ratings performance, you simply need to fill the allocated places, place the clients in employment and maintain the same clients on your program, whether they need it or not. The Star Ratings formula provides clear incentives for providers to foster dependency in clients. Maintaining clients in employment past the 26 weeks outcome makes light work for providers. It requires much less effort and resources than is involved with taking on new clients.
- 2.2.3 From a policy perspective, DEEWR should be providing incentives for throughput of clients in a capped program. **This would serve not only to promote client independence, which should surely be the primary objective, but also to ensure access to a capped program for those with the greatest need.** The DEN Star Ratings provide disincentives to aim for high throughput in the capped program. It would be useful to have comparative data made available on the throughput rates of service providers with the highest Star Ratings, including disability types.
- 2.2.4 Within PEP's client group, there is definitely a need for ongoing support, sometimes for many years, to keep some clients in sustainable employment. But they are not the majority. The need for ongoing support is determined by the nature of an individual's mental illness or disorder, their compliance with medication and/or motivation to maintain abstinence from drugs and alcohol. The level and quality of an individual's social and personal supports is also a strong indicator. The salient point is that, in respect of clients with mental illness, the decision to retain clients in maintenance phase on a capped program should **not** be driven by Star Ratings. It should be made on the basis of client need.
- 2.2.5 However, in the DEN Star Ratings, retention in maintenance phase (continuous support following a 26 week employment outcome) attracts a 60% weighting in Star Ratings. In contrast, exiting clients as independent workers with intermittent support which creates a vacancy for a new client to access support – attracts a 10% weighting. No-one has been able to persuade me that this makes sense.
- 2.2.6 From discussions with other providers, particularly in regard to clients with intellectual disability, I am aware that there is considerable "over-servicing" of clients in the maintenance phase for the benefit of the provider, not the client.

2.3 Eligibility for Employment Support and Access to Services

In 2007, the Howard Government placed additional barriers in the way of people with a disability who express interest in accessing employment support.

There is a rigorous process whereby DSP recipients who apply for employment support must first be cautioned by Centrelink that this will trigger a review of their DSP eligibility before they can be referred to a service provider. They are advised that this may lead to a cancellation of their DSP payments. They are required to obtain new medical evidence and be assessed by a JCA to review their DSP entitlement.

A copy of the document DSP recipients are required to sign at Centrelink if they wish to proceed with their application for employment assistance is enclosed. (*Information for Disability Support Pensioners wanting to find work (Step 2)*).

For clients with a mental illness, who have been out of the workforce for months or years, the risk of losing their DSP entitlement is indeed a daunting, if not intimidating, proposition. Attempts at re-entering the workforce are stressful and carry great uncertainty for anyone with mental illness. The episodic nature of mental illness and the vulnerability to stress imposed by mental illness, in addition to past negative experiences in employment situations, represent major barriers to the decision to apply for jobs.

Government policy now adds the threat of losing their DSP income if they ask for support and assistance with employment. Particularly for young people diagnosed with schizophrenia, it is a risk they feel they cannot afford to take because they have not yet gained experience in managing their illness in employment and have limited experience of the workforce prior to the onset of their illness.

This policy is in direct conflict with an agenda for social inclusion.

3. Job Capacity Assessors and Referral to DEN Capped Providers

- 3.1 The JCA process is highly variable in quality and unpredictable in outcomes. This is clearly due to two factors: (a) the highly structured pro-forma assessment instrument JCAs are required to use and (b) the variable skill level of the JCAs.
- 3.2 I have attended numerous JCA interviews with clients who have been referred directly to PEP Employment by their treating doctors, therapists or school counsellors. In such cases, we have already started working with the client but have to go through the JCA process so the client can be registered on our program. We provide the documentation required, including a Treating Doctor's Report, and support the client through this, often superfluous, process.
- 3.3 When clients are referred to us through a JCA, we then meet the client and do our own work capacity assessment. Our findings are, more often than not, significantly different from the JCA report. Our assessments are more thorough and bring more relevant expertise and knowledge to the process. JCA assessments about an individual's work capacity rarely reflect an understanding of the local labour market, the nature of competitive employment or the stressors of employment on people with mental illness.
- 3.4 Many JCAs have no work experience outside the health sector (and many I have met are straight from university and 21 yrs old) and yet, after a 20 minute interview, make recommendations to the client about the type of work they would be suited to, such as "office work" or "hospitality". With no understanding of workplace cultures outside their own limited experience, much less the competitive nature of these jobs and the required pace of work and multi-tasking; it is inappropriate and insensitive for JCAs to make recommendations to clients about work options.
- 3.5 In particular, cognitive problems and social anxiety experienced by many people with mental illness may not be evident in a JCA interview but will certainly emerge in a work situation.
- 3.6 The notion that JCAs have the skills to make effective decisions about referring clients with mental illness between VRS, capped or uncapped programs must be

contested. Yet their decisions have major implications for the clients involved in regard to access to meaningful and appropriate rehabilitation and training options.

Cognitive difficulties/impairments associated with mental illness are not well understood, but are common and can be highly significant in obtaining and maintaining work. They are frequently over-looked or ignored, because mental health treatment regimes focus on the more identifiable and disturbing symptoms of acute illness. Treating Doctors' Reports rarely refer to the cognitive problems secondary to the illness. The JCAs generally do not have access to relevant information about the long-term disability associated with serious mental illness. Clients tend to have little insight into the cognitive impairment related to their illness, particularly schizophrenia, and if medication is effective in controlling psychotic symptoms, they are likely to over-estimate their work capacity. So will many JCAs.

The risk of referring the client to the wrong disability program, such as an uncapped program, is a matter of concern. **However, of even greater concern, is that the poor quality JCA process is used to determine an individual's entitlement to the Disability Support Pension.**

- 3.6 The lack of experience of many JCAs accounts for a good number of referrals of unmotivated clients to capped programs. Unemployed people who know the system, and do not want to work, or are working cash in hand and claiming benefits, can work out how to avoid the participation requirements of mutual obligation in Job Network. Referral to PSP is their preferred outcome and the capped program is the second best option.
- 3.7 Many clients referred by JCAs are not motivated to work in paid employment, but claim to be when they see the JCA because they understand that their Newstart or Youth Allowance income would be jeopardised if they do not attend job seeking appointments with a service provider. After being accepted on a capped program, clients in this group regularly obtain successive medical certificates from their treating doctor and resist engaging in vocational training, rehabilitation and job seeking activities.
- 3.8 People who were seen by a JCA as part of a DSP application assessment process have been consequently referred to PEP Employment whilst waiting to hear the outcome of their DSP assessment. Many clients in this situation are not motivated to look for work because they fear that being placed in employment would jeopardise their DSP application.
- 3.9 Clients already on DSP do not have compulsory job-seeking obligations and do not require medical certificates. Thus, they may be happy to attend appointments at PEP but not attend job interviews. DEEWR does not allow DEN providers to indicate when a referred client is rejected because they are not motivated for paid employment for reasons unrelated to health or disability issues.
- 3.10 The national data collected in EA3000 in the field "reasons for rejection" in respect of new referrals fails to provide an adequate range of options for providers to indicate the correct reasons for rejection of JCA referrals. This invites questions about the efficacy of evaluation of the national JCA program.
- 3.11 Given that capped programs rely on referrals from JCAs to meet their obligation to fill a minimum of 90% of allocated client places, the rejection of inappropriate referrals from JCAs is problematic. Until recently, I tried to work with unmotivated clients referred by JCAs in order to maintain positive relationships with the JCAs

which would lead to more referrals. I have recently abandoned that strategy for two reasons.

3.11.1 First, the Star Ratings formula means that each new client we cannot place in sustainable employment within 12 months will affect our performance ranking. I can no longer afford to accept clients with no genuine interest in paid employment or rehabilitation. If my rejection rate of inappropriate JCA referrals means our overall referral rate drops, so be it. It is the JCA system that is flawed and this must be addressed. **However, until DEEWR amends the “reasons for rejection” options on EA 3000, the situation will not be exposed.** By way of demonstration, in the last 10 days PEP Employment has assessed and rejected 10 client referrals from JCAs and accepted no new referrals from JCAs. This represents a grossly inefficient use of PEP’s scant resources. This was 20 hours of work **imposed on PEP** by the JCA system which yielded no result for our service.

3.11.2 Second, regardless of Star Ratings considerations, we continue to accept referrals of clients whose illness and disability mean that we cannot place them in sustainable employment within two years. Whereas capped programs only receive 10 monthly payments for each client and then funding ceases until the client is placed in sustainable employment, we support the more disabled clients for more than two years (without funding support) and provide treatment services, social and vocational rehabilitation, training and therapeutic interventions before attempting work placements. The recovery and rehabilitation period for people disabled by serious mental illness is usually longer than two years. Acute episodes and relapse notwithstanding, a funding time-frame of 12 months is inappropriate.

3.12 Yet the capped program assumes that clients are placed in sustainable employment within 12 months. **This assumption may work for clients with physical and intellectual disability, but it does not fit well for clients with mental illness.**

Did DEEWR assume that people with mental illness would be streamed into the uncapped program when they designed a two-stream disability program? The uncapped program provides continuous funding for two years per client but then the client must be exited. Thus, uncapped programs do not invest in long-term rehabilitation and training options for clients.

Therefore, clients with serious mental illness are better served by the capped program because we can work with individuals for as long as it takes to meet the client’s needs. The Catch 22 here is that we need to be generating income from other clients to subsidise the costs of supporting (unfunded) clients. I do this by maintaining a high throughput and exiting clients who do not need regular support. We continue to provide support to exited clients on request because the clients are no longer on Centrelink income they are not required to be registered on a program.

We have managed this way for years and our income flow is more than adequate. But the introduction of Star Ratings provides disincentives to maintain a high throughput. The employment outcomes required to achieve a high Star Rating become more unattainable, the higher the level of throughput.

Here's the catch. In the current funding structure, it is only by maintaining high client throughput that we generate the income that enables us to support a significant number of clients with mental illness to become work ready and gain accredited educational or vocational qualifications.

None of the range of employment support programs funded by DEEWR are charged with responsibility for vocational rehabilitation, skills training and education for people who cannot participate in mainstream programs due their mental illness or psychiatric disability, yet may have the capacity to succeed in an individually-tailored, intensive assistance program.

PEP Employment provides this level of assistance to as many clients as we can manage to support within our resources, in cases where this intervention is both desired by the client and will bring positive benefits for the client.

The principle of access on the basis of relative need obliges DEEWR to address this identifiable gap in service provision and implement incentives for DEN providers to provide individually-tailored education and skills training programs for those otherwise excluded from accredited training, on the basis of mental illness or disability.

DEEWR might argue that this group of clients should be referred to Vocational Rehabilitation Services or the Personal Support Program. However, these programs do not offer a level of support commensurate with achieving educational, vocational or employment outcomes with clients whose mental illness and disability exclude them from participating in mainstream training, educational or vocational rehabilitation programs.

Mr. Steve Erskine (DEEWR's DEN Star Ratings Manager) informed me in December that the Department had not yet decided how the DEN Star Ratings will be used to manage the DEN program.

With only the Job Network Star Ratings system to use as a guide to the possible implications of the DEN Star Ratings, I am unsure if I need to take action to increase our Star Rating by eliminating the training and rehabilitation initiatives in our service delivery model to secure PEP Employment's future. I am reluctant to take this step because it will reduce the quality and appropriateness of our client services.

The poor performance of the JCA, PSP and VRS programs in regard to supporting clients with mental illness presents a policy challenge and an opportunity to improve the vocational and employment support opportunities made available to people with mental illness.