Pathway outcomes

DES is designed to be a capacity building service; this is evidenced by DEEWR purchasing outcomes based on future work capacity. However, the performance framework inadvertently discourages capacity building activities. The current (and proposed) methods of handling pathway outcomes have been described by some members as ‘capacity stopping, not capacity building’.

While the achievement of open, competitive employment is (rightly) the optimal outcome, indeed the primary outcome that DEEWR wishes to purchase, in our view the performance framework should ensure the candidates’ journey and the efforts of providers are factored in, particularly given the speculative nature of employment benchmarks and the narrowness of outcome requirements. This is especially important for participants experiencing episodic conditions.

Recommendation 5

The Committee recommends that the Commonwealth Government examine ways to further support social enterprises that effectively transition people with mental ill health into the open employment market.

(Standing Committee on Education and Employment, 2012, p. xviii)

This is not to suggest that transitional employment, or intermediate progress, is directly comparable to the ‘optimum goal’ of competitive open employment. Rather, we question if the framework discourages capacity building pathways for the majority of participants who achieve no outcome? The national average for 13 and 26 week pathway outcomes is very low (especially in comparison to equally weighted outcomes).

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1 It should be noted that the ESAT/JCA is a speculative assessment of future work capacity and it is not an evidence-based tool; it serves little purpose for participants, who often disagree with its determinations.

2 DEA notes that outcome policy is not scope for discussion at this review; however, we did not support this decision.
It has been suggested that the policy settings that limit a provider to claiming only one 13 or 26 week outcome in a period of service contribute to the very low pathway outcome rate. Conceived this way, pathway outcomes are seen as ‘destinations, or terminuses’ as opposed to a ‘steps on the journey’ towards the optimal outcome.

The low pathway rate is concerning in light of the fact that nearly 60% of DES participants are not achieving any employment outcome (Australian Government, 2011). Does the framework drive providers to seek as many employment outcomes as possible (at whatever level) or does it divert attention away from capacity building activities, instead driving providers to focus on those candidates able to start work sooner? In the DES-ESS Request for Tender, DEEWR describes a pathway outcome as:

A Pathway Outcome recognises progress towards the achievement of sustainable Employment, such as through Education or substantial part-time work.

If a pathway outcome recognises progress towards the achievement of sustainable employment, why is non-ongoing employment a non-payable pathway outcome?

If DES is a capacity building program, and pathway outcomes represent progress, why is there such a disparity between the full and pathway outcome rates? Anecdotal industry feedback and observation indicates an unwillingness to work towards any outcome that is not a full outcome. While as an aspiration this is laudable, in practice it risks DES participants being left behind (parked).

The second risk is ‘parking’, where more costly to help participants receive only minimal services and make little progress in a programme. If such participants secure employment through their own efforts this represents a ‘windfall’ gain for the provider (Finn, 2009, p. 42).

If the framework encouraged greater uptake of pathway outcomes (with full outcomes always receiving the highest rewards), would program efficiency (outputs) improve, thereby ensuring better value-for-money?

**Alternative handling of pathway outcomes**

The Department has proposed a more complicated alternative to the handling of pathway and bonus outcomes that will result in more contracts performing at a one or two star level.

- DEA does not support added complexity in the star ratings system.

This proposal has been referred to as ‘collapsing 13/26 week outcomes’ and in essence the proposal aims to mitigate against the effect of a pathway outcome contributing more than its 5% weighting. Put another way, the low pathway outcome rate means that small numbers carry too much weight.

Unlike the JSA framework, which was the basis for the DES framework, it does not allow a pathway and full outcome to be claimed in the same period of service. Consequently, we observe a very small pathway rate in DES. Therefore, if the problem is the low pathway rate, the question might better be articulated as: how do we ensure pathways are having their intended weighting?

- The numbers are very low, small numbers carry too much weight
- Changing the formula might not change the behaviour
The proposal advantages providers who mainly focus on full outcomes, and have relatively low pathway and bonus outcome rates. The current proposal risks sending a message that pathway and bonus outcomes are not important.

If the problem is the low outcome rate, how can we increase the outcome rates?

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The problem expressed by DEEWR is that the pathway and bonus outcome rates are relatively low, and therefore are subject to volatility. Accordingly, pathway outcomes might be contributing more than their intended weighting in the performance framework. Rather than discount the importance of pathways by downplaying their importance in response to a perception of ‘gaming by pathways’, the Department might consider alternative handling of pathway outcomes.

The solution for fixing the low numbers of pathways and a high pathway outcome rate being worth more than the allocated weighting is to consider one of the following:

1. Cap the total value of the pathway outcome to the 5% weighting it should be worth
2. Rescale the measure (linearly) so that the national average stays average but the highest performer is capped at 5%

DEA requests a comparison between DEEWR’s proposal (collapsing 13/26 week outcomes) and a modified star run with the weightings for pathways / bonuses given to the respective full measures by using the two methods described above.

DEA would also like the Department to review and discuss the following suggestion regarding pathway outcomes. If the low pathway rate is concerning, and performance is less volatile with higher numbers of pathways, then it follows that attempts to increase the pathway outcome rate should be investigated and reported upon.

One such solution would be to allow providers to claim one 13 week pathway and one 13 week full outcome during a period of service. This can be cost neutral and does not require major IT builds as functionality currently exists with the system.

The change can be cost neutral in that a provider receives a pro-rata amount if they claim a Full outcome following a paid Pathway outcome. The IT functionality exists as the system currently prompts a provider to take a ‘zero-dollar’ claim in this situation.

<table>
<thead>
<tr>
<th>1st Service Fee</th>
<th>13 Week Pathway</th>
<th>13 Week Full</th>
<th>Pro-rata Full</th>
</tr>
</thead>
<tbody>
<tr>
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<td>$945</td>
<td>$2860</td>
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<tr>
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<tr>
<td>Level 2</td>
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The Department has indicated that program settings already allow a provider to move from a pathway at 13 weeks to a full outcome at 26 weeks, however this generally involves under –
achieving on requirements, followed by over-achieving. The requirements for a full 26 week outcome must be made up in the second 13 week period.

- What data does DEEWR have on the number of participants who achieve a pathway 13 week outcome for employment and then go on to achieve a full 26 week outcome for employment in the same period of service?
- What number of participants who achieve a 13 week pathway for education and then go on to achieve a full 26 week outcome for employment in the same period of service?
- What does this breakdown look like across program, disability type, age and gender?

The current structure does not reward a planned pathway.

Pathway and bonus outcomes are different.

On Bonus Outcomes

Some members of the DESFRWG appear to downplay the importance of bonus outcomes because they are not universal to all participants. The logical question that follows is how can the performance framework make bonus outcomes relevant to all participants?

A bonus outcome has been described by DEEWR as:

There are Bonus Outcome Fees for placing Participants in Apprenticeships, Traineeships or when a Participant is placed in Employment after completing Training directly related to the job

(Source: DES-ESS Request for Tender)

However, a bonus outcome is also triggered when an Aboriginal or Torres Strait Islander participant achieves a full or pathway outcome.

This demonstrates that the Department does not consider bonus outcomes as necessarily universal to all participants. However, this distinction is important to make in the context of non-payable bonus outcomes, such as the automatic triggering of Aboriginal and Torres Strait Islanders in bonus outcome performance.

Therefore, DEA recommends DEEWR give serious consideration to other policy priority areas, with a view to considering how they might trigger bonus outcomes. For example, outcomes achieved without Government funded wage subsidies represent better value for money for Government. All outcomes funded with Government wage subsidies are flagged in ESS. Similarly, the contention that bonus outcomes are not payable (or relevant) to some participants (particularly those with moderate intellectual disability) might be mitigated by triggering a bonus for reaching a co-produced benchmark. For example, an ESAt benchmark of 8, but a co-produced benchmark of 15.

Recommendations / discussion points

The solution for fixing the low numbers of pathways and a high pathway outcome rate being worth more than the allocated weighting is to consider one of the following:

1. Cap the total value of the pathway outcome to the 5% weighting it should be worth
2. Rescale the measure (linearly) so that the national average stays average but the highest performer is capped at 5%
DEA requests a comparison between DEEWR’s proposal (collapsing 13/26 week outcomes) and a modified star run with the weightings for pathways / bonuses given to the respective full measures by using the two methods described above.

DEA submits that allowing providers to claim a 13 week outcome at both the pathway and full level during a period of service will increase the pathway outcome rate and therefore overall program effectiveness and value-for-money for Government.

If any outcome is not universal to all participants, then a policy discussions need to follow to determine how measures can apply to all participants.

**Works Cited**

