

Research into Pro-Rata Wage Assessment
Tools for People Working in Business
Services

DISCUSSION PAPER

Prepared by

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Executive summary

This report presents the findings of research conducted by Health Outcomes International Pty Ltd on behalf of the Department of Family and Community Services (FaCS) into pro-rata wages of people with disabilities working in Commonwealth-funded supported employment services (Business Services).

A range of wage determination processes are in operation in Australian Business Services. The research team identified four broad wage determination processes available to Business Services, including:

- historical wage payments (usually without formal assessment);
- productivity-based assessments, including the Supported Wage Assessment Tool (SWAT);
- competency-based assessment; and
- hybrid models (utilising components of productivity and competency-based assessments).

The most commonly applied wage determination processes are historical (ad hoc) payments and productivity-based wages, although in recent times, many Business Services have begun to explore the merits and implications of applying competency-based or hybrid systems.

There was recognition across the sector that wages paid to Business Service employees are generally lower than the ideal, although the financial viability of Business Services is the main determinant of wage levels. Other influences on wage levels were also identified, including the philosophy and history of the Business Service, cost of administering complex assessment systems, competition within the sector and perceived threats to Centrelink entitlements.

In comparing the various wage assessment processes, strengths and deficiencies were identified in each of the wage determination models. The following sections briefly describe the research team's perspective of the advantages and disadvantages of each system.

Historical models

These systems are very common throughout the sector and in many cases have been in place for some time. Wages are often paid on the basis of arbitrary decisions reflecting the organisation's capacity to pay.

Advantages

The historical or ad hoc wage assessment processes identified during the research project are highly variable in terms of wage outcome and structure, although in general, the advantages of such systems include:

- ease of implementation - payment of set wages without formal review limits the cost associated with coordinating and conducting assessments;
- little confusion by employees - workers know what they will be paid and are not required to undergo continual assessments;
- wages can be set at a level that ensures the Business Service is able to pay; and
- employees are not concerned about eligibility for social security benefits, as wages are usually below the threshold for benefit reduction.

Disadvantages

There are a number of disadvantages associated with historical wage determination systems. Whilst some Business Services (in particular, section 13 services) are not required to meet all of the supporting standards of Disability Services Standard 9, FaCS encourages compliance with each of the supporting standards from a quality assurance perspective. Ideally, FaCS supports all Business Services progressing along a 'standards continuum' until full compliance (and therefore best practice) is attained. However, many historical systems may not comply with Standard 9 (and supporting standards) of the Disability Services Standards. In particular, such systems do not necessarily demonstrate that:

- the agency ensures that each employee with a disability has the same rights, protections and responsibilities as other people in the workforce (this is the minimum requirement for all Business Services);
- the agency ensures that each employee with a disability receives an agreed minimum wage or salary that reflects progress toward an award-related wage;
- where the agency is also the employer, the budgeted costs of the agency reflect progress towards an award-related wage;
- the agency recognises that labour costs of employees with a disability are an integral cost of running a business and accordingly are a part of the budgeted costs;
- the agency provides opportunities for career advancement, including access to training and skills development consistent with the opportunities provided in the general workforce;
- the agency ensures that each employee with a disability works in a job and in a work environment in which he or she receives the same employment conditions, rights, protections and responsibilities as those expected and enjoyed by other people in the general workforce;
- the agency ensures that each employee with a disability receives award wage rates or pro-rata award wage rates determined through an independent industrial relations process; and
- the agency ensures that each employee is employed under an award or industrial agreement.

The research team notes that some of the supporting standards above do not explicitly state performance indicators and may, therefore, be interpreted in a number of ways in internal or independent audit processes.

In addition, the following disadvantages of historical/ad hoc wage determination systems have been identified by the research team:

- wages do not reflect the employee's skills or knowledge, which may be considered discriminatory;
- superannuation payments are variable, with some employees earning below the superannuation threshold receiving no superannuation contribution;
- the lack of structured assessment may limit the capacity to identify and facilitate access to appropriate training and skills development;
- wages paid in these circumstances tend to be very low; and
- minimising wages devalues workers and creates unrealistic market expectations of the cost of labour in Business Services, and it also perpetuates a competitive environment in which Business Services 'under-cut' each other to win contracts.

Current wage determination systems that are based on historical pay rates or are based only on the organisation's capacity to pay are not considered appropriate. Business Services employing such systems

should be encouraged to explore alternative options and plan for the implementation of a valid assessment tool that complies with relevant standards and the concept of fairness.

Profit sharing

Some Business Services report a 'profit-share' arrangement that applies to wage payments. These structures tend to be ad hoc in nature, whereby profitable business activity results in distribution of profits according to an assessment of contribution toward producing the final product. Usually, these systems operate in conjunction with a basic (historical or simple productivity-based) wage payment. Alternatively, some Business Services employ a quasi profit-sharing process by issuing profit dividends to workers in the form of a superannuation supplement, which therefore does not influence eligibility for social security benefits.

Advantages

The primary benefit of this system is that workers share in the profitability of the organisation. This fosters a sense of ownership in the organisation/product, and encourages workers to self-monitor their own productivity.

Disadvantages

Difficulties associated with this system include determining what is a 'fair' distribution of profits, and the impact that additional 'bonus' payments have on Centrelink benefits for the worker. Workers may also become confused about how pay rates are determined. In addition, Business Service operators are likely to accept work that varies in profitability, which may lead to circumstances whereby the link between effort and reward is unclear.

The research team considers that these systems of wage determination are not appropriate in the Business Services sector.

The Supported Wage Assessment Tool

The SWAT is commonly used in open employment settings for people with disabilities, with some Business Services also adopting the system (or amended versions). See section 5.2 for a table that presents the feedback from informants in the consultation process relating to the advantages and disadvantages of applying the SWAT in Business Services.

The table also demonstrates that there are many reasons in favour of the application of the SWAT across the Business Services sector. Similarly, however, many limitations or disincentives were also identified during the consultation process.

Other productivity models

During the research project, a number of alternative productivity assessment tools were identified, with a similar objective to the SWAT—to determine the output of a worker in the particular job that they occupy. The productivity-based assessment processes reviewed as part of this project usually resulted in the payment of low wages.

Advantages

The primary advantages of alternative productivity assessment processes are:

- they may be adapted to the particular industry/workplace or specific job;

- they can be conducted efficiently, minimising administrative workload and assessment costs;
- they may be linked to awards and included in Enterprise Agreements;
- they do not necessarily rely on a non-disabled co-worker as a benchmark;
- assessing workers without their knowledge minimises bias associated with the employee working at a rate that is inconsistent with his/her usual productivity; and
- the assessment process may not operate from a deficit model—that is, the result of the assessment is not expressed as a proportion of an able-bodied worker's capacity.

Disadvantages

A number of disadvantages were also identified when examining alternative productivity assessment tools, including:

- where the assessment process is not formalised, there is potential for variable assessment practice;
- the use of internal assessors may limit the objectivity of the assessment process;
- the productivity assessment looks only at the job tasks being performed, therefore assessment result is not transferable between jobs;
- variable assessment processes limit consistency across the sector, meaning a worker may be assessed at a different level for the same job in different Business Services;
- some productivity assessment processes are quite simple, although others are complex and may be difficult to understand;
- pay outcomes for people assessed by these processes seemed lower in comparison to the SWAT; and
- assessors are not always qualified in workplace assessment, which may reduce the efficacy of the assessment tool.

In conclusion, the alternative productivity-based assessment tools reviewed generally do not represent best practice in the view of the research team.

Competency-based assessment

There were no Business Services reviewed during the research project that operate a 'competency only' wage determination system, although the hypothetical application of such a system was considered.

Advantages

In a true competency-based assessment system, employees are assessed in accordance with industry-determined competencies, which are generally linked to training needs identification. This system enhances the employee's potential to progress through a structured career path, and enables transferability of assessment between workplaces, even if the job changes, as many common or generic competencies apply to a variety of industries.

Other advantages of a purely competency-based assessment tool are:

- assessment is usually conducted separately to the Individual Employment Plan by specialist qualified assessors (organisations using a competency-based system are usually committed to principles of life-long learning);

- competencies are recognised regardless of the employee's level of output, rewarding workers that may not necessarily be the fastest, but taking into account the skills and knowledge applied in completing a particular job;
- competency assessment enables the allocation of jobs (particularly more complex jobs) to those who are qualified and competent to fill the position;
- consistent assessment, training and wage determination/classification processes may be used for disabled and non-disabled workers, minimising discrimination and enhancing opportunities for the establishment of integrated workplaces;
- workers may access education and training externally—this contributes to the attainment of competencies or industry approved qualifications (for example, certificates linked to training packages, traineeships/apprenticeships, and so on); and
- there is a clear link to relevant awards, and opportunities for transition to open employment are enhanced as competencies and qualifications are transferable.

Disadvantages

If competency-based assessment does not take worker productivity into account, the wage determination would indicate that anyone with a set of competencies is entitled to 100 per cent of the award wage. This would be considered inappropriate in many Business Services (and in the 'usual' workplace), as the rate of output of these employees significantly influences the profitability (and therefore capacity to pay) of the Business Service. The incentive to employ people with disabilities would therefore be dramatically reduced.

The relative recency of competency-based assessment may also act as a barrier to the implementation of such systems. Productivity-based assessment has become the norm in open employment settings and in a number of Business Services, whereas competency-based assessment has been implemented in relatively few services. Resources directed toward training Business Services and employees in competency-based assessment would be required prior to the implementation of a single assessment tool utilising competency-based principles.

Other disadvantages of an entirely competency-based system include:

- cost—application of a true competency-based assessment system requires the investment of significant resources including assessment costs, training resources and administration/coordination;
- timing—implementing formal competency-based assessment in large organisations will require significant planning; and
- calibration of wage rates in accordance with assessed competency levels—at this stage considered inappropriate, and more work is required to ensure that both the assessment and the corresponding wage rate are fair and equitable.

Hybrid models

Hybrid models identified during the research project are highly variable depending on the balance or priority of competency versus productivity assessment. The hybrid assessment tools considered most effective by the research team include an initial competency assessment component that broadly 'streams' employees by competency level, with subsequent productivity assessment to determine exact wage rates against appropriate benchmarks. Ideally, the benchmarks are set by a co-worker in an integrated workplace environment or are documented in appropriate industry standards. Only one assessment process examined during the project links the competency assessment to endorsed industry training package competencies.

Advantages

As may be expected, the hybrid model has the potential to utilise the best components of both productivity and competency-based assessment tools, although the research team is reluctant to recommend any of the current models as an ideal example of best practice.

The potential benefits of the hybrid model include:

- recognising competencies of employees as well as their outputs;
- enabling transferability of assessment (or parts of the assessment) between jobs or workplaces;
- assessment methods are flexible and the worker has a greater involvement in negotiations associated with the assessment;
- enhancing links between training and employment, and between open and sheltered employment;
- rational links to awards can be developed;
- the capacity to place the most appropriate person in each job is enhanced; and
- issues associated with refined or tailored jobs are minimised, as is the reliance on co-worker benchmarks.

Disadvantages

Whilst the hybrid model is the preferred model of the research team, there are potential disadvantages that should be considered before adopting a hybrid assessment model. These issues include:

- a hybrid system may be complicated and difficult to understand for Business Services and employees alike—decisions relating to the negotiation of wages based on these assessments should be made after clear discussion of the assessment process and outcome. A single assessment process across the sector will minimise confusion;
- hybrid models may be manipulated if wage calculation following the assessment is inappropriate. Again, a single validated system will minimise the potential for misuse of a hybrid model;
- Business Services would be required to allocate significant resources toward assessment (if not subsidised) and in-house (on-the-job) training, in addition to facilitating access to external training programs; and
- whilst elements of the assessment would be transferable and linked to open employment, dichotomous assessment processes in Business Services and open employment settings will remain. Ultimately, however, the single assessment tool for Business Service employees may be adapted to open employment settings.

The research team concluded that a hybrid model represents the most appropriate method of wage determination in Business Services. However, the team is reluctant to recommend any of the existing tools as the preferred method of hybrid wage assessment.

Recommendations

The research team proposes the following recommendations:

Recommendation 1

A single wage assessment tool for wage determination in Business Services should be developed on behalf of FaCS. The assessment tool should be developed in close consultation with the sector, undergo extensive testing and build on the strengths of existing assessment processes.

Recommendation 1A

In the design of the single assessment tool, the following existing assessment mechanisms should be reviewed in further detail, as these systems exhibited some sound elements:

- The SWAT
- The Greenacres tool (Wollongong, New South Wales)
- Wangarang Industries (Orange, New South Wales)
- WestCare Industries (Perth, Western Australia)

Recommendation 2

The assessment tool should combine elements of both competency and productivity assessment, which links directly to endorsed industry standards wherever practicable. The development of the assessment tool should include identifying the competencies incorporated in industry training packages that are most applicable to Business Service activities.

Recommendation 2A

The dual assessment elements should not compound reductions in wage rates. For example, an employee with 50 per cent of level x competencies working at 50 per cent of the productivity benchmark should not receive 25 per cent of the relevant award wage (that is, 50 per cent x 50 per cent). A 'sliding scale' approach should be adopted.

Recommendation 3

The preferred tool should include provisions for a minimum wage 'safety net' for employees of Business Services. Further, the minimum wage should be in the order of \$50 per week, appropriately indexed to increases in award rates of payment (or the CPI). Pro-rata payment of the safety net wage is not considered appropriate.

Recommendation 4

The assessment tool should be applicable to all industry settings in which Business Services operate. This may require the conduct of an industry audit. This will enable identification of the appropriate industry training packages (and competencies) with which the assessment tool should be linked.

Recommendation 5

The assessment tool should provide a direct and rational link to appropriate awards. Current wage structures that link historical pay rates to an award by identifying a proportional award payment without a defined assessment process are not considered appropriate.

Recommendation 6

The single assessment tool should be not only a valid and appropriate assessment system, but the calculation of corresponding wage rates should also be considered. It is considered that the wage determination process should be incorporated into the assessment tool.

Recommendation 7

As part of the development and trialing of a single assessment tool, comparative studies in some Business Services should be conducted to monitor the impact of implementing the new tool on the cost of wages.

Recommendation 8

Wage determination assessments should be conducted by independent assessors (endorsed by FaCS), who hold the national units of competence for conducting assessment (or equivalent), namely:

- BSZ 401A Plan Assessment
- BSZ 402A Conduct Assessment
- BSZ 403A Review Assessment.

Recommendation 9

Wage assessment should be conducted in a process that is separate to the employee's Individual Employment Plan, yet is strongly linked to goal-setting, training needs identification and career path establishment.

Recommendation 10

Wage determination assessments should be closely linked to training opportunities for employees in Business Services, including both in-house (on and off-the-job) and external training (for example, involvement in TAFE courses).

Recommendation 11

'A Guide to Good Practice Wage Determination' should be made available to all Business Service outlets and relevant industrial relations organisations, particularly Industrial Relations Commissioners involved in the assessment of Enterprise Agreements.

Recommendation 12

Business Services should enhance links with the training sector, particularly with registered training organisations, to facilitate the achievement of recognised industry-related qualifications.

Recommendation 13

Business Services should demonstrate a commitment to the payment of superannuation for all employees, including those earning less than the superannuation guarantee threshold. This minimises discrimination on the basis of reduced capacity to earn full award wages.

Recommendation 14

The implementation of the preferred single wage assessment tool should be included as part of ongoing quality assurance monitoring.

Recommendation 15

The implementation of a single wage assessment tool for Business Services should include subsidisation from FaCS to assist in the payment of independent assessors and potential increases in administrative costs, at least during the preliminary implementation stage.

Recommendation 16

A training program for Business Service managers, Centrelink, consumers and employment agencies should be developed and implemented to address misconceptions/misinformation relating to the impact of award-linked wages on social security benefits/eligibility.

Recommendation 17

Prior to the implementation of the single assessment tool, a training program should be conducted describing the rationale for the tool, with particular emphasis on the competency-based assessment component.

1 Introduction and context

The welfare/community services sector as a whole (and the disability service sector in particular) has undergone significant change in recent times, particularly since 1996–97 when the Disability Employment Assistance Reform agenda was announced. The aim of the reform was to improve services and options available to jobseekers with disabilities. Four key initiatives form the basis of the reform agenda:

- an independent eligibility assessment and referral processes for jobseekers;
- a new quality assurance system;
- funding linked to individual needs and outcomes; and
- contestability for rehabilitation services.

The economic and social benefits of people with disabilities being involved in employment have been recognised for many years. These benefits relate not only to the individual, but also to their families, employers and the community at large. In recent times, the employment options for people with disabilities have been enhanced. Many people with disabilities are now seeking and retaining employment in the open market, in addition to the traditional 'sheltered workshop' model of employment. Sheltered workshops themselves have changed significantly in the past decade or two. They are now seen as a competitive industry and are thus referred to as Business Services.

1.1 Wages for people with disabilities

There has been a considerable amount of research and development focused on the assessment and payment of 'fair' wages for people with disabilities. Until recently, this work concentrated on people with disabilities in open employment settings. Previously, Business Services had tended to pay wages to employees based on historical arrangements, or ad hoc assessment processes, and in many circumstances, this practice remains.

There is a large number of wage assessment and payment strategies that have been developed for workers with disabilities in Business Services. The content, structure and rationale for these processes have varied significantly. For example, some wage assessment processes are rigorously researched, tested and published as organisational policies, whereas other systems are much less sophisticated and structured. There is an identified need to develop wage assessment processes for people in Business Services that are:

- fair and equitable;
- appropriate to the worker, industry and the employer;
- use valid and flexible assessment techniques;
- reflect contemporary industry practices; and
- comply with relevant legislation and standards.

1.2 Scope of this project

In December 2000, Health Outcomes International was commissioned by FaCS to undertake research into pro-rata wage determination in Business Services. The primary questions of interest to the consulting team are presented overleaf.

The key requirements of the project (as stated in the project brief) are as follows:

The consultancy

FaCS seeks Consultant/s to undertake a research project on competency and productivity-based assessment tools leading to the development of a handbook that will be made available to Commonwealth funded Business Services. The information contained in this handbook is intended to assist Business Services to make informed choices on assessment tools for determining pro-rata award wages for people with disabilities employed in Business Services.

Expected deliverables

The Consultant will prepare a handbook, in plain English, on competency and productivity-based assessment tools available to, or developed by, Business Services. The following points are indicative of the contents the handbook will include but the Consultant should be prepared to identify other information on competency tools in discussion with the Department, arising from the research, that would be relevant to Business Services in considering the use of competency tools:

- Whether the competency tool would comply with the requirements of the Disability Services Standards developed under the DSA;
- Whether the competency tool would comply with the requirements of the *Disability Discrimination Act 1992* and equivalent State/Territory disability discrimination legislation;
- Whether the competency tool would be the most equitable and fair means of assessing wage levels for employees with disabilities;
- Provide a comparison to productivity-based assessment tools (such as the Supported Wage System (SWS) assessment tool);
- Identify possible links/opportunities for people with disabilities assessed using a competency tool to undertake further education and training.

1.3 Project methodology

Health Outcomes International's approach to the project is briefly described below:

- review of existing policy documentation and literature relevant to the sector and this project, with particular reference to the principles of assessment (including the Supported Wage System) and competency-based assessment;
- data discovery, including intensive consultation process with a select sample of Business Service operators and other key stakeholders in numerous states (including unions, peak body representatives and government representatives);
- assessment of the level of compliance of different wage determination processes with relevant standards and legislation; and
- production of a guide for Business Services to use when implementing or planning to adopt a wage determination process that relates to their particular industry/circumstances, whilst ensuring that legislative (and quality assurance) requirements are met.

PRO-RATA WAGE ASSESSMENT FOR PEOPLE WORKING IN BUSINESS SERVICES

Note: the production of *A Guide to Good Practice Wage Determination* for Business Services was deemed the most appropriate product of the research, as the research team did not feel that the development of an assessment handbook was feasible at this time.

2 The Supported Wage System

2.1 What is the Supported Wage System?

The Supported Wage System (SWS) is a Commonwealth Government program designed to address the barriers to employment in the open workforce faced by people with a disability whose productivity and employment competitiveness are reduced because of their disability.

People in such circumstances can choose to access a process of productivity-based wage assessment and related workplace-specific assistance to help them gain appropriate jobs in the **open** workforce. The SWS assessment process measures the productivity of the worker against the basic performance levels for other people in equivalent positions in the same workplace. The worker is then paid a pro-rata award wage that equates to their assessed productivity (for example, 70 per cent), with all other employment conditions being the same as those of their co-workers. The productivity of the worker is reviewed annually, with the aim of SWS being that the worker will eventually improve and reach (or get close to) 100 per cent productivity, enabling payment of full award wages.

2.2 A brief history

In the late 1980's it was recognised that Competitive Employment and Placement Services were struggling to place those people who wanted to work in open employment but were just not productive enough to be employed on full award wages. Whilst it was recognised that there needed to be an industrial solution to the problem, it was some time before employer groups and unions successfully negotiated on the issue to develop an effective tool.

Workers with a disability that affected their productivity could be legally employed under a 'Slow Worker's Permit'. These permits were issued on an individual basis by the Commissioner for Industrial Relations in each state. The specialist disability employment agency would complete an application for a Slow/Inexperienced/Infirm Worker Licence. The Commissioner, if deciding to proceed, would invite the agency, the worker, the employer and the union for a hearing. The application form identified the proposed wage as calculated by the agency, by rating the disabled worker against able bodied workers by timings and observations, with the result being a percentage of the award rate. All parties were required to agree for the Permit to be issued, and it was reviewed annually with all parties again having to appear at the Industrial Relations Commission to give their approval for the permit to continue. This system continues to be used on a very occasional basis where industrial awards/agreements do not allow for the use of SWS.

Eventually the SWS was developed in conjunction with the Australian Chamber of Commerce and Industry (ACCI), the Australian Council of Trade Unions (ACTU), disability peak bodies and specialised employment agencies for people with disabilities. It was to be administrated by FaCS operating within the existing industrial relations framework and accessible in every State and territory.

The SWS commenced operation in 1994. Initially, resources were allocated to assist 1,000 people Australia-wide each year. In the *FaCS 1999–2000 Annual Report* it was stated that there were 1,063 SWS placements in the 1999–2000 financial year. In all, 2,284 people accessed the system in 1999/2000 (this figure includes new and recurrent workers). An average of 1,000 workers move out of SWS each year for various reasons including achievement of full wages, new employment or cessation of employment.

The SWS is managed by SWS Management Units in FaCS State and Territory Offices. The units' key responsibilities are to process applications; arrange assessments; approve and make payments; train and accredit assessors; and to liaise with employer and trade union organisations. There are approximately

400 accredited SWS assessors in Australia who provide independent and impartial initial wage assessments and annual reviews.

2.3 Who is eligible to use the Supported Wage System?

The majority of workers seeking to use the SWS are clients of specialist disability employment agencies, but people who are independent of such agencies may also access the system. SWS is available to workers commencing employment and where the continued employment of an existing employee at full wages may be in jeopardy.

In order for a worker to qualify for the SWS, they must:

- be eligible for or in receipt of Disability Support Pension, or medically assessed to determine whether disability would affect productivity;
- be an Australian citizen;
- be at least 15 years old; and
- have no outstanding workers compensation claims against the employer.

2.3.1 Requirements for participation in the Supported Wage System

To access the SWS there must be industrial coverage to legally pay a productivity-based wage through one of the following:

- alliance to an award that contains the SWS Model Clause (see Appendix B)
- a Certified Agreement that contains the SWS Model Clause
- an Australian Workplace Agreement that contains the SWS Model Clause
- a Certificate of Exemption/Slow Worker's Permit granted under the jurisdiction of a State Government Industrial Legislation.

The SWS cannot operate under Common Law Contract. The minimum number of hours an employee can work is eight hours per week, and the minimum wage payable is \$50 per week or the amount specified in the relevant award or workplace agreement, regardless of assessed capacity. The National Training Wage (for traineeships and apprenticeships) cannot be accessed in conjunction with the SWS.

2.3.2 Assistance for employees and employers

When a worker with a disability finds a suitable job and it is agreed that the SWS is the best option, the worker can be given a trial period of up to 12 weeks to learn the job, before the assessment takes place. During the trial period the worker is paid a negotiated wage that is currently a minimum of \$50 per week or the amount specified in the relevant award or workplace agreement. Following the assessment and signing of the SWS agreement, the employer will pay the assessed wage and superannuation as required in the same way as for other workers in that workplace.

Provision has been made for the following assistance for employers through the SWS, although some elements of the assistance package have been restricted pending the final outcome of the recent SWS evaluation:

- a payment of \$1,000 is available to offset the cost of employing a worker with a disability under the SWS, although a number of eligibility conditions apply;
- workplace modifications or special or adaptive equipment have been subsidised to assist people with disabilities perform at their full potential (this funding is separate from the SWS and is available through the Workplace Modifications Scheme administered by FaCS and available to all workers with disabilities); and
- some assistance for on-the-job support is available under the SWS, for instance, if a worker receiving a supported wage requires specialised assistance and/or training at work.

Expectations of employers

Whilst most employers are well informed of the requirements, responsibilities and processes associated with the SWS, the research team found that there are some employers that have unreasonable expectations of the system. Most often, these expectations relate to the prospect of 'cheap labour', and SWS assessors often find themselves having to explain that the SWS is not about enabling employment of a cheap worker, but is about paying a person on the basis of their capacity to do the job. These misconceptions occasionally put the placement of the worker in jeopardy, sometimes requiring the job placement agency to seek alternative employment options for the person with a disability.

2.4 Costs involved in administration of the Supported Wage System

Apart from the incentives available to employers that have already been discussed, and the general costs of administration by the SWS Management Units in each FaCS State and Territory Office, the other major cost factor is the payment to accredited assessors for wage assessments. Accredited assessors in each state assess participants using the SWAT.

A ceiling of \$800 (plus GST) applies for the initial wage assessment. A further \$600 is made available for the first review and \$400 for the next and subsequent wage reviews. The assessor provides an invoice that includes their hourly rate and the number of hours taken to conduct the assessment. Professional assessment and travel costs must be met within these limits. Assessors provide their own worker's compensation and professional indemnity insurance coverage.

2.5 Industrial relations

The SWS can only assist a worker if the position is covered by industrial provisions that allow the payment of a productivity-based wage. For this reason, the ACTU and ACCI developed a Model Clause to be inserted in Federal and State Awards. All agreements to employ people under the SWS are lodged with the relevant Federal or State Industrial Registrar, depending on the position in which the worker is placed. The SWS assessor normally lodges the agreement on behalf of the employer. Once the SWS agreement has been lodged with an Industrial Registrar it remains in force for 12 months from the date it is signed (unless a further wage review is conducted before then).

When the SWS assessor receives a request to provide a wage assessment, they are provided with the contact details of the relevant union. The assessor must contact the union, prior to commencing the assessment, to advise them that it is occurring and to invite them to participate in the process and the signing of the agreement if they wish. The usual response is that the unions are pleased to be advised of the SWS assessment but do not wish to be involved in the process, apart from receiving copies of the signed agreement.

Where the appropriate union has signed the SWS wage agreement, the Industrial Registrar will advise the employer that the assessment has been successfully filed. If the Registrar receives a wage agreement not signed by the appropriate union, they will notify the appropriate union of the existence of the wage assessment and give the union 10 working days to lodge an objection with the Registrar. If no objection is received the employer is advised that the wage agreement has been successfully filed. Union objections are not very common but if lodged usually relate to an incorrect rate of pay and are easily resolved. All objections are dealt with and resolved according to correct industrial practices.

The research team found that for the most part, union involvement in the negotiation of SWS wages is limited, particularly during the assessment phase. Most commonly, the relevant union merely 'signs off' on the SWS documentation provided by the assessor, although it was reported that occasionally even this response is not forthcoming.

2.6 Conclusion

In conclusion, the SWS is a system that is designed to assist people with disabilities find and maintain open employment, by supporting the jobseeker and making the employment of the person a low-risk and high-benefit option for employers. It is important to make the distinction between the assessment tool for determining wages and the SWS system as a whole. Whilst the SWS is focused on open employment, some Business Services have identified the potential applications of the SWAT in the Business Service setting, adapting it according to specific industries and individual worker needs.

However, if the SWAT was the sole basis upon which wages in Business Services were determined, a number of issues, which must be acknowledged and addressed include:

- the system's design was for the open employment sector, and it may not be applicable to some jobs in Business Services;
- the cost of assessment (if not subsidised) may be a prohibitive cost for many Business Services without adequate infrastructure. In turn, this may influence the objectivity of assessment if internal assessors are used;
- the SWAT does not provide formal links with workplace training, professional development or career path structure;
- the SWAT generally does not consider established industry benchmarks (for example, National Competency Standards);
- the skills and consistency of assessment may be compromised unless formal accreditation and monitoring of assessors applies; and
- the objective comparison of the disabled worker to a non-disabled co-worker may be problematic, particularly in circumstances where a job has been tailored to a specific person.

3 Competency-based assessment

3.1 Introduction

Competency-based assessment is commonly linked to competency-based training and forms the basis of the Vocational Education and Training (VET) system in Australia. Competency-based assessment was introduced in 1991 by the National Training Board (now called the Australian National Training Authority) and represented a significant shift in assessment practices that had previously been based on the measurement of knowledge rather than the application of knowledge (Cognology 2000).

The catalyst for the shift to competency-based assessment was the need for a system which focused on industry determined benchmarks (competency standards) and promoted national consistency across the training sector in Australia (Bridge 1997). In 1995, national arrangements for assessment for the purposes of issuing qualifications under the Australian Qualifications Framework (AQF) were agreed to. These arrangements assist organisations to determine whether or not a person has achieved a level of competency required by industry (Education Network Australia 1998).

Assessment under a competency based approach, is the process of collecting evidence and making judgments on the nature and extent of progress towards the performance requirements set out in a standard (VEETAC cited in ACTRAC 1994, p.1).

Assessment is based on the actual skills and knowledge a person can demonstrate in the workplace. Where competency standards for an industry/occupation do not exist, performance can be assessed against a set of criteria such as award classifications, standard operating procedures and performance agreements (NSDC Commonwealth of Australia 1995). In a competency-based assessment system, competencies possessed by a person are recognised no matter how or where they were acquired (Community Services and Health Training Australia 1999).

3.2 Features of competency-based assessment

Competency-based assessment is different from other forms of assessment that may have been used in the past. The major differences are:

- *competency-based assessment is criterion based*—a person is assessed not in competition with others but against standard criteria or benchmarks;
- *competency-based assessment is evidence based*—decisions about whether a person is competent are based on the evidence they provide to the assessor; and
- *competency-based assessment is participatory*—the person being assessed is involved in the process of assessment and has the scope to negotiate with the assessor the form that assessment activities take.

In addition, competency-based assessment does not have to be limited to a narrow set of methods. A range of assessment instruments can be used as long as the person has the opportunity to demonstrate their competence in relation to a work role/task. For example, assessment activities may involve:

- observation in the workplace;
- practical demonstration and questioning;
- written tests and essays;

- projects; and
- simulations and role plays. (Education Network Australia 1998, p.2.)

Regardless of the method used there are four key features of competency-based assessment that hold paramount. These are: validity, reliability, fairness and flexibility.

Validity in a competency-based system refers to assessments that cover a range of skills and knowledge and integrate them with their practical application. Judgements to determine competency should be based on evidence gathered on a number of occasions and in a variety of contexts.

Reliability means that assessment practices should be regularly monitored and reviewed to ensure that there is consistency in the interpretation of evidence. It should also be noted that if competency is being assessed for the purposes of issuing qualifications under the AQF, then assessors must be:

- competent in the national competency standards for assessment;
- have been deemed competent in the standards being assessed; and
- must have a detailed understanding of the standards and their use as benchmarks within the context and culture of the workplace/sector/industry. (Community Services Training Package 1999.)

Fairness relates to practices and methods that are equitable to all groups being assessed. Provisions must be made for assesseees to challenge assessments if they are unsatisfied with the process or the outcomes.

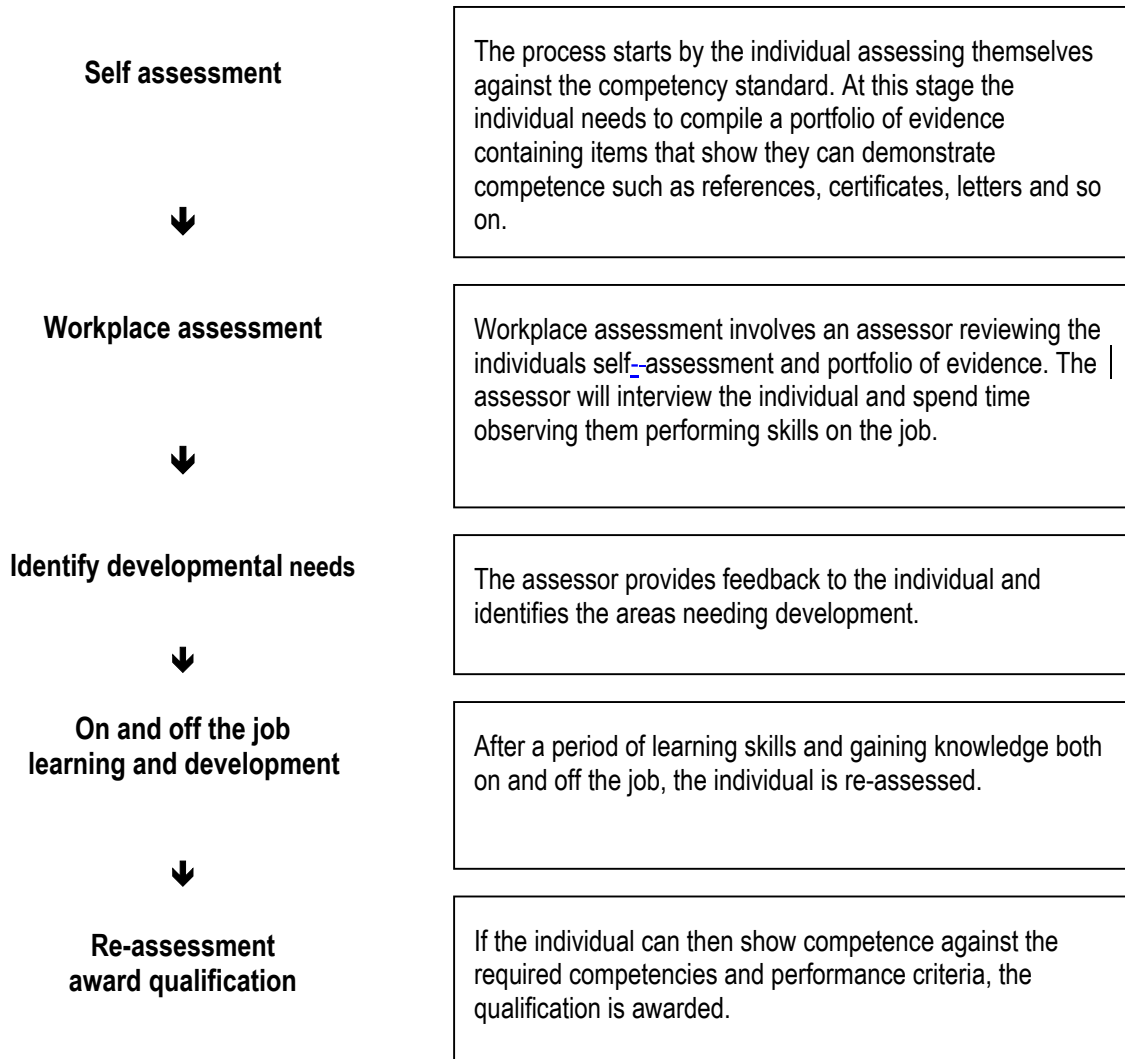
Flexibility in assessment refers to processes that provide for the recognition of competencies regardless of where they have been acquired. For example, competencies can be achieved:

- through formal or informal training;
- through work experience;
- through general life experiences; or
- through any combination of the above. (Community Services Training Package 1999, p.9.)

In keeping with these four features, competency-based assessment should always use an integrated approach which covers all aspects of work performance including:

- task skills (being able to perform individual tasks);
- task management skills (being able to manage a number of different tasks);
- contingency management skills (being able to respond to problems/irregularities that arise); and
- job/role environment skills (being able to work with others).

A typical competency-based assessment process is illustrated in the diagram below.



Cognology 2000, pp.1-2)

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3.3 Advantages and disadvantages of competency-based assessment

Advantages

If assessment is for the purposes of issuing qualifications under the AQF then:

- state and territory training and recognition authorities have the responsibility for monitoring assessments;
- assessment should be mutually recognised (registered training organisations throughout Australia must ensure that they recognise and offer credit for assessment outcomes);
- 100 per cent up-front assessment should be offered to all workers seeking competency recognition; and
- assessment decisions can only be made by people who are qualified to conduct the assessment (Community Services Training Package 1999).

Competency-based assessment can be used for a variety of purposes including:

- diagnostic assessment (help to identify educational/learning needs);
- formative assessment (provide feedback on how the person is progressing toward the achievement of competency);
- summative assessment (the assessment of performance to determine competency); and
- recognition of prior learning/current competency (to determine whether someone has achieved competency through informal or formal learning and experiences).

Having skills recognised ensures there is no need for employees to be re-trained in certain work roles/tasks (this provides greater mobility for workers).

Assessment against national competency standards means that workplace practices have been agreed to by the major stakeholders in the industry or sector.

Assessment in an industry can be intrinsically linked with other aspects of people management such as training and recruitment (Community Services and Health Training Australia 1999).

The person being assessed is the most important person in the process (Institute of Instrumentation and

Disadvantages

Difficulties and inconsistencies in implementing non-graded assessment systems:

- employers wanting some indication of 'excellence', that is, how competent an individual is; and
- inconsistencies in judgments between assessors.

Limited understanding of the design and implementation of assessment tools.

Difficulty in separating summative purposes of assessment with formative purposes.

Difficulty in establishing record keeping and reporting systems (State of Victoria 1998, p.2).

Competency-based assessment does not promote direct comparison between workers, which has been part of traditional management practice in many Business Services. This represents a major shift in ideology in many organisations, which is likely to be difficult to change.

Advantages

Control Australia (n.d.)).

Disadvantages

3.4 Linking pay to competency

Little has been published in relation to the payment of individuals based on the competencies they possess when not linked to qualifications. The link between competency-based assessment and wages has developed from a training paradigm, whereby competencies are reflected in attainment of qualifications, which in turn influence an employee's rate of pay.

Skill-based pay (so-called in the United States) systems have predominantly been developed in an ad hoc fashion since the middle of the last decade, but retain the relationship to learning and training. As Barkman (1993) states, the purpose of skill-based pay is to promote learning, providing an incentive to learn for the benefit of the individual and the organisation.

There is, however, an important distinction between a skill and a competency when applied to pay systems. Barkman (1993) describes a skill as:

'The knowledge and ability required to competently perform a task ... Reading, math computation etc. are basic skills. Blueprint interpretation, electronic systems diagnosis etc. are higher order skills.'

For the purposes of this review, a competency is understood to take on the following meaning:

'Competency comprises the specification of knowledge and skill and the application of that knowledge and skill within an occupational industry level to the standard of performance required in employment (NSDC)'

3.5 Conclusion

The competency-based assessment system has been introduced as a means of promoting pathways to recognition for individuals and to assure quality outcomes in the workplace. It is a system that supports the involvement of industry in determining its own benchmarks for performance.

Competency-based assessment now underpins the vocational education and training system in Australia, however, since its inception there have been various inconsistencies with its implementation.

The State of Victoria (1998) poses some interesting questions that are worth considering when discussing competency-based assessment practices.

1. Is it reasonable to assume that competencies can be transferred from workplace to workplace? Some research suggests that the transfer of competencies, even those that are general, may be limited.
2. Is training and assessment specific to the workplace? Is the system benefiting employers rather than the individual or society?
3. Can competency-based assessment and training be flexible enough to meet the changing demand of the labour market?

It may be reasonably expected that the three questions above may also be applicable to productivity assessment. That is, issues of transferability, workplace specificity and flexible assessment are equally important in a productivity-based assessment system.

4 Research findings—feedback from the sector

4.1 Consultation process and issues

The research was conducted in a relatively short time frame, with consultations aimed at gauging the views and perceptions of relevant stakeholders from across the country. This limited the coverage of the consultation process, with selective sampling of key informants based on awareness of wage determination practice and interest in the study. There were essentially four key groups engaged in the process, including:

- Business Services—particularly those with established wage assessment processes or ratified industrial agreements;
- FaCS representatives from the central and State and Territory Offices;
- peak body organisations representing service providers and consumers; and
- industry groups including unions, employment advocates and workplace/industrial relations bodies.

A number of issues were presented to participants in the consultation process, which varied according to the stakeholder group. Issues presented to Business Services engaged in the process included:

- current wage processes in operation, their advantages and disadvantages;
- potential application and feasibility of adopting the SWAT in Business Services;
- awareness and application of alternative wage assessment processes, particularly competency-based assessment systems;
- issues and considerations relating to the payment of award-based wages, including:
 - industrial relations considerations
 - quality assurance principles
 - cost and the impact of award-based wages on financial viability
 - practical/implementation issues; and
- perceptions of best practice in wage assessment for Business Services.

Other informants in the consultation process were asked similar questions, adapted according to their specific interest and experience in the field.

4.2 General comments

A diverse range of wage determination processes were identified during the research and consultation phases of this project. Whilst some consistent approaches were identified, there was a high degree of variation in the wage determination systems in operation. The variation throughout the sector seems to have arisen from divergent development activities that have occurred in recent years in response to numerous reforms to the disability employment sector. An ad hoc approach to developing wage determination processes ensued in the absence of a prescribed direction for Business Services in relation to best practice wage determination procedures. The research team considers that many of the payment systems developed are unlikely to stand up to scrutiny when considered in a quality assurance or legislative context.

The following sections describe some of the key issues identified by stakeholders engaged during the consultation process.

4.2.1 The business vs service ethos

A number of informants in the consultation process expressed concern about the dichotomous role of Business Services, citing difficulties associated with managing the balance of 'profitable business enterprise' and 'disability service organisation'. Whilst most informants recognised the need for a true business, it was suggested that the historical background of the sector will restrict rapid business development in some organisations. In particular, 'older' Business Services and those that form part of a holistic service organisation (that is, where the organisation provides employment support, accommodation, recreation and so on) were identified as those that see themselves as a service first and a business second.

The findings of the recent Business Services review have highlighted the need for the sector to adopt a more sophisticated business approach. Many Business Services are now likely to review practices to ensure that they participate in appropriate industries/markets—that quotes for contracts and so on reflect the true costs of labour and that selection and recruitment policies reflect standard business principles, that is, the right person in the right job.

4.2.2 Assessment tools—what works?

Opinion was varied in relation to the extent to which current wage assessment processes represent best practice. Whilst some Business Services have structured wage assessment processes in place, many operate without a formal wage assessment mechanism. Of those Business Services that do have formal processes in place, most informants indicated that such systems are not without flaws, and have usually been developed to meet specific organisational needs whilst attempting to improve wages for employees. Many Business Services recognised that the system in place may not fully comply with current policy initiatives or legislation and may not necessarily constitute a 'fair' wage outcome for employees. Those that have developed innovative assessment processes have usually done so in isolation, sometimes without the assistance of relevant specialists in the field of assessment or industrial relations. Many informants indicated that whilst various systems may not represent an ideal model of best practice, a formal process that attempts to address issues of fairness, consistency and legislative/standards compliance is 'better than nothing'. In this context, there was no consensus in relation to recommending any of the current systems for broader adoption throughout the sector, although some informants felt that the system they operate could be adopted more broadly.

The majority of Business Services that have a formal assessment process in place indicated that it suited their particular circumstances quite well, citing various reasons why other widely used systems were not appropriate for their specific situation. There were, however, a number of Business Services identified that use common assessment tools and payment systems. The most commonly used assessment tools identified during the research project were the SWAT, the Greenacres tool and the 'flat-rate' historically based payment system. Many Business Services use adapted versions of these tools.

All assessment processes identified during the research project may be loosely grouped into four broad categories, including:

- historical wage payments (usually without formal assessment);
- productivity-based assessments (including the SWAT);
- competency--based assessment; and
- hybrid models.

Each system was recognised as having distinct advantages and disadvantages attributed to them, which are addressed in further detail in sections 5.15.4.

4.2.3 Financial viability

Financial viability was the primary concern of Business Services in relation to the payment of wages in accordance with relevant awards or other formal wage assessment processes. All Business Services consulted during the research assignment expressed a desire to pay the highest wages possible to their employees, but most recognised that increasing wage costs would significantly influence financial viability of the organisation. This indicates, therefore, that many Business Services may not be paying wages that would be consistent with a valid and appropriate (fair) award-based wages system.

Those Business Services paying wages linked to award levels or based on a structured assessment process tended to be those that are not only financially viable, but profitable, with a more highly sophisticated business philosophy. In some instances, however, it was reported that the assessment process could be used as a mechanism by which wages are lowered in order to match the organisation's capacity to pay. This raises the issue of objectivity of assessment, and potential manipulation of assessment outcome.

4.2.4 Comparative assessment

As discussed above, most Business Services that do not use the SWAT or another structured wage assessment process cited financial viability as the primary reason for not doing so. Interestingly, none of these services had undertaken a formal comparison of the potential impact of implementing a formal wage determination process on labour/wage costs to the organisation. Notwithstanding this fact, most Business Services in this position expressed little doubt that the adoption of these systems would increase costs and threaten financial viability.

Similarly, none of those Business Services using a structured assessment process stated that they had formally compared the difference between adopting one tool over another, although some cursory comparisons had been made. The decision to adopt one system over another was usually attributed to capacity to pay the assessed wage; fairness of wage outcome for the employee; administrative or other resource requirements of adopting the system; and advice of human resource/industrial relations experts.

The majority of Business Services involved in the consultation process that have a basic or historical wages system, indicated that they would be interested in conducting or reviewing a comparison of various wage assessment processes. They feel that such research would confirm their suspicions that they would experience a significant increase in wage costs should a formal and consistent wage assessment strategy be implemented.

4.2.5 Sector's ideals of best practice

Feedback from many informants reflected a general recognition that historical (and many current) wage determination processes are unsatisfactory in terms of validity, fairness and appropriateness. Even some of those services that have developed an enterprise agreement or wage assessment tool of some kind said that they would like to see a fairer, more appropriate wage paid to people working in Business Services. Whilst this recognition exists, the capacity of Business Services to pay a fair and appropriate wage may limit their ability to practically adopt such principles. Comparative trials would address this issue conclusively.

Notwithstanding this (perceived) limited capacity to pay increased wages in many Business Services, informants representing the sector were comfortable expressing opinions relating to what they feel an ideal wage assessment process should look like. Key elements include:

- flexibility to respond to changing work roles or jobs;
- recognition of highly specialised jobs that have been adapted ('tailored') for particular workers;
- practical considerations in relation to resource requirements of conducting assessments;
- influence of wage payments on financial viability (which may ultimately influence the number of employees able to be supported);
- combination of competency and productivity considerations;
- some indicated that assessment should be linked with training and an identified career path; and
- reliability and validity, whereby the worker's true capacity (that is, productivity and/or competency) is measured.

A number of Business Services referred to the level of support required by employees as a variable upon which wages should be determined. Others, however, contended that on-the-job support is a funded activity, and if FaCS funding for such support is adequate (being addressed by the Case-Based Funding Trial), then the issue of support should be viewed separately to wages. Indeed, a supporting standard of Disability Services Standard 9 states that 'The agency's budget reflects that Government contributions do not subsidise the wages and salaries of employees with a disability'. Further, supporting standards of Standard 10 state 'Each person's support program is based on an individual assessment [and that] the level of support to be provided is agreed between the agency and each person with a disability'.

The research team's view is that the issue of on-the-job support requirements is a separate issue to wage determination, as Business Services receive funding to support employees in the workplace. Further, we contend that if a person's support needs dramatically influence their capacity to undertake a particular job, an appropriate assessment process will identify this, and placement in an employment setting may not be the most appropriate outcome.

Other informants representing peak bodies, the industrial relations sector and government representatives, identified additional elements that they felt would be an important component of a best practice assessment process, including:

- consistency across the sector, so that a person assessed in one service would receive the same pay if doing the same job in a different service;
- independent assessment by accredited assessors;
- links to training and development opportunities;
- a minimum wage safety net of \$40 to \$50 per week; and
- a justified link to appropriate awards, or detailed account of the rationale for wage assessment processes and pay schedules.

Issues influencing decisions to adopt alternative assessment processes

As stated above, many informants recognised that wages have historically been too low in Business Services, and most expressed a desire to address these deficiencies. The impact of a higher wages bill on financial viability tended to be the primary reason for not implementing a more appropriate wage assessment process. Other issues influencing the decision to implement an alternative system were also presented, including:

PRO-RATA WAGE ASSESSMENT FOR PEOPLE WORKING IN BUSINESS SERVICES

- cost of assessment (if not subsidised by the Commonwealth);
- administrative and other resource requirements, such as the cost of providing and linking the assessment to training opportunities;
- auditing and quality assurance, particularly if internal assessors are used;
- balancing the objectivity of independent assessors with a lack of organisational knowledge;
- timing of 'mass assessments' in large organisations;
- the underlying philosophy of the service—that is, those with a service ethos adopting an 'open-door' policy are likely to be less profitable, and therefore have less capacity to pay award-based wages;
- having the right job (or enough jobs) available that are suitable to the assessed capacity of the employee; and
- consistency throughout the sector—that is, whether the adoption of a system in *service x* will be comparable with one in *service y*. This issue supports the proposal for a single assessment tool to be adopted across the Business Services sector.

5 Analysis of current assessment processes

The following section describes the research team's analysis of the various wage determination processes identified during the research project.

5.1 Historical models

Many Business Services pay wages based on their capacity to pay, or in some cases, on historical arrangements that have endured for many years. These wage systems operate in a variety of ways, including:

- basic payment structures whereby all employees receive the same weekly wage (or hourly rate);
- basic payment schedules with incremental increases according to duration of employment;
- payment of wages negotiated between the individual worker (and/or carer/advocate) and the Business Service, outside of an award or Enterprise Agreement; or
- payment of a basic wage (the same for all employees) that has been calculated as a proportion of the appropriate award and placed in an Enterprise Agreement. (For example, a basic wage of \$40 per week has been paid to all employees, which equates to approximately 10 per cent of a full award wage. The Enterprise Agreement then states that all employees receive 10 per cent of the award wage, which provides a mechanism for ongoing indexation.)

The ad hoc nature of these wage determination processes and the vast differences in rates of payment, make it difficult to determine whether they comply with appropriate legislation, standards and concepts of 'fairness'. Whilst the research team did not conduct detailed analyses of each Business Service applying these methods (and each Enterprise Agreement into which these systems have been incorporated), it appears unlikely that many such systems would be viewed positively if placed under scrutiny.

Advantages

The historical or ad hoc wage assessment processes identified during the research project were highly variable in terms of wage outcome and structure, although in general, the advantages of such systems include:

- ease of implementation—payment of set wages without formal review limits the cost associated with coordinating and conducting assessments;
- little confusion for employees—workers know what they will be paid and are not required to undergo continual assessments;
- wages can be set at a level that ensures the Business Service is able to pay; and
- employees are not concerned about eligibility for social security benefits, as wages are usually below the threshold for benefit reduction.

Disadvantages

There are a number of disadvantages associated with historical wage determination systems. Whilst some Business Services (in particular, section 13 services) are not required to meet all of the supporting standards of Disability Services Standard 9, FaCS encourages compliance with each of the supporting standards from a quality assurance perspective. Ideally, FaCS supports all Business Services progressing along a 'standards continuum' until full compliance (and therefore best practice) is attained. Many historical

systems may not comply with Standard 9 (and supporting standards) of the Disability Services Standards. In particular, such systems do not necessarily demonstrate that:

- the agency ensures that each employee with a disability has the same rights, protection and responsibilities as other people in the workforce—(this is the minimum requirement for all Business Services);
- the agency ensures that each employee with a disability receives an agreed minimum wage or salary that reflects progress toward an award-related wage;
- where the agency is also the employer, the budgeted costs of the agency reflect progress towards an award-related wage;
- the agency recognises that labour costs of employees with a disability are an integral cost of running a business and accordingly are a part of the budgeted costs;
- the agency provides opportunities for career advancement, including access to training and skills development consistent with the opportunities provided in the general workforce;
- the agency ensures that each employee with a disability works in a job and in a work environment in which he or she receives the same employment conditions, rights, protections and responsibilities as those expected and enjoyed by other people in the general workforce.
- the agency ensures that each employee with a disability receives award wage rates or pro-rata award wage rates determined through an independent industrial relations process; and
- the agency ensures that each employee is employed under an award or industrial agreement.

The research team notes that some of the supporting standards above do not explicitly state performance indicators and may therefore be interpreted in a number of ways in internal or independent audit processes.

In addition, the following disadvantages of historical/ad hoc wage determination systems have been identified:

- wages do not reflect the employee's skills or knowledge, which may be considered discriminatory;
- superannuation payments are variable, with some employees earning below the superannuation threshold, receiving no superannuation contribution;
- the lack of structured assessment may limit the capacity to identify and facilitate access to appropriate training and skills development;
- wages paid in these circumstances tend to be very low; and
- minimising wages devalues workers and creates unrealistic market expectations of labour costs in Business Services, and it also perpetuates a competitive environment in which Business Services 'under-cut' each other to win contracts.

Current wage determination systems that are based on historical pay rates or are based only on the organisation's capacity to pay are not considered appropriate. Business Services employing such systems should be encouraged to explore alternative options and plan for the implementation of a valid assessment tool that complies with relevant standards and the concept of fairness.

5.1.1 Profit sharing

Some Business Services reported a 'profit-share' arrangement that applies to wage payments. These structures tended to be ad hoc in nature, whereby profitable business activity results in distribution of profits according to an assessment of contribution toward producing the final product. Usually, these

systems operate in conjunction with a basic (historical or simple productivity-based) wage payment. Alternatively, some Business Services employ a quasi profit-sharing process by issuing profit dividends to workers in the form of a superannuation supplement, which therefore does not influence eligibility for social security benefits.

Advantages

The primary benefit of this system is that workers share in the profitability of the organisation. This fosters a sense of ownership in the organisation/product, and encourages workers to self-monitor their own productivity.

Disadvantages

Difficulties associated with this system include determining what is a 'fair' distribution of profits, and the impact that additional 'bonus' payments have on Centrelink benefits for the worker. Workers may also become confused about how pay rates are determined. In addition, Business Service operators are likely to accept work that varies in profitability, which may lead to circumstances whereby the link between effort and reward is unclear.

These systems of wage determination are not appropriate in the Business Services sector.

5.2 Awareness and use of the Supported Wage Assessment Tool

The following table presents the feedback from informants in the consultation process relating to the advantages and disadvantages of applying the SWAT in Business Services. Some Business Services involved in the research project are using the SWS in its entirety or the SWAT only (or a variation of it). Other stakeholders providing feedback commented in relation to the hypothetical implementation of the SWAT in the Business Service they represent. Although the responses are quite variable, they are loosely ranked in order of priority/frequency of response.

Advantages of the SWAT	Disadvantages of the SWAT
<ul style="list-style-type: none"> • Assessment is independent and process is transparent; • System is known and accepted by most services, particularly those involved or familiar with open employment services; • Minimum wage guaranteed; • Infrastructure, accredited assessors, systems and monitoring processes are already in place (may enable economies of scale, assessor pooling, group assessment, co-worker benchmarks etc.); • Multiple assessment observations (at different times or on different days) enhance reliability and allow for variation in a better way than one-off reviews; • Encourages Business Services to charge for work at market rates, provide quality products and develop sophisticated business systems. This will ultimately 	<ul style="list-style-type: none"> • Costs likely to increase significantly due to increased wages; • Cost of administering the SWAT would be prohibitive if not subsidised by FaCS (ie if not a section 10 service); • Anecdotal reports that assessors may overstate worker productivity; • SWAT able to be 'manipulated' by workers or assessors ie productivity displayed during assessment is not representative of usual activity; • Difficult and costly to administer where there are many workers and/or many jobs across varied industries; • Difficult to gauge activities of co-worker or develop benchmarks due to the 'tailored' nature of some jobs; • Does not assess people against all components of the job, only the tasks that are being undertaken (this

Advantages of the SWAT

- improve viability and competitiveness of the Business Service;
- Link to awards enables compliance with quality standards and participation in Case-Based Funding Trial;
- Enables employees with varied skill and productivity levels to be employed in one setting;
- Union involvement is promoted (although the level of this involvement is often minimal);
- Enhances links between employment services, and recognises that Business Services and open employment are part of the same system (legislation, standards etc are common to both);
- Minimises possibility of worker exploitation, meets *Disability Discrimination Act 1992 (DDA)* and Disability Services Standards (particularly standard 9).

Disadvantages of the SWAT

- tends to overstate productivity);
- Assumes basic competencies are held by the worker, less suitable for people with high support needs;
- 10% payment increments under the SWS may be too broad, 5% increments suggested;
- Need to re-assess workers when moving between jobs;
- Knowing that a minimum rate of pay is required may influence employee recruitment to those only capable of 'earning' \$50 per week. This may reduce accessibility to the service.

As the above table demonstrates, there are many reasons in favour of the application of the SWAT across the Business Services sector. Similarly, however, many limitations or disincentives were also identified during the consultation process.

Conclusion

The Supported Wage Assessment Tool is a valid, reliable and accepted form of wage assessment that has already been implemented by some Business Services. As identified in section 6, the SWAT complies with relevant legislation and standards. It is, however, a costly system with considerable resource requirements to appropriately support its implementation. It is also noted that the SWAT does not formally link to structured training and professional development strategies.

Those currently using the system or in support of its broader adoption tend to be those services with either profitable business operations, high proportions of workers with low support needs and/or access to Commonwealth subsidised assessments (that is, section 10 services).

Many of those expressing dissatisfaction with the SWAT tend to have less profitable business operations, higher proportions of workers with high support needs, or limited capacity to fund extensive assessment processes by independent assessors. However, some of those critical of the SWAT have developed alternative assessment processes due to their perceptions of the SWAT's applicability in the Business Services sector.

5.3 Other productivity models

The SWAT is considered a productivity-based assessment tool, as it monitors the output of workers against an established benchmark (the co-worker). During the research project, a number of alternative productivity assessment tools were identified, with a similar objective—to determine the output of a worker in the particular job that they occupy.

The productivity-based assessment processes reviewed as part of this project usually resulted in the payment of low wages. Without using comparative assessment strategies, it is impossible to determine whether this was a reflection of the assessment process or the capacity of employees in these settings. Following workplace observation, however, it is the subjective opinion of the research team that wages paid under these systems tended to 'down rate' productivity and subsequently result in lower wages than might reasonably be expected.

There are a number of significant differences between the SWAT and other productivity tools identified, which influence the extent to which alternative productivity assessments comply with legislation, standards and the concept of fairness. These differences include:

- alternative productivity assessments tend to rely on internal assessment, which raises questions of objectivity and manipulation;
- the outcome of the assessment is not always linked to an award, but may be used as a 'ranking' system for employees;
- benchmarks may be arbitrarily set rather than practically determined using a formal process;
- assessments are often conducted by the employee's supervisor/case manager as part of the annual employment planning process, therefore considering issues much broader than productivity only;
- assessment processes may not be formally documented, or may not be clearly understood by employees or their advocates;
- employees may or may not be made aware of the assessment being undertaken. For example, many employees record their productivity in an ongoing manner (such as by the use of tally sheets) and are unaware of which day or week's outputs will be included in their assessment;
- there is rarely union involvement in the negotiation of pay and conditions; and
- frequency and duration of assessments vary (that is, assessments are not necessarily reliant on multiple observations).

Advantages

The primary advantages of alternative productivity assessment processes are:

- they may be adapted to the particular industry/workplace or specific job;
- they can be conducted efficiently, minimising administrative workload and assessment costs;
- they may be linked to awards and included in Enterprise Agreements;
- they do not necessarily rely on a non-disabled co-worker as a benchmark;
- assessing workers without their knowledge minimises bias associated with the employee working at a rate that is inconsistent with his/her usual productivity; and
- the assessment process may not operate from a deficit model. That is, the result of the assessment is not expressed as a proportion of an able-bodied worker's capacity.

Disadvantages

A number of disadvantages were also identified when examining alternative productivity assessment tools, including:

- where the assessment process is not formalised, there is potential for variable assessment practice;
- the use of internal assessors may limit the objectivity of the assessment process;

- the productivity assessment looks only at the job tasks being performed, therefore assessment result is not transferable between jobs;
- variable assessment processes limit consistency across the sector, meaning a worker may be assessed at a different level for the same job in different Business Services;
- some productivity assessment processes are quite simple, although others are complex and may be difficult to understand;
- pay outcomes for people assessed by these processes seemed lower in comparison to the SWAT; and
- assessors are not always qualified in workplace assessment, which may reduce the efficacy of the assessment tool.

In conclusion, the alternative productivity-based assessment tools reviewed generally did not represent best practice in the view of the research team.

5.4 Competency-based assessment

There is a growing trend throughout Australian industry and more recently in the Business Services sector to implement competency-based assessment procedures to determine wages. A number of such systems have been developed, the most commonly recognised competency system being the Greenacres tool, which has been adopted (or plans to be) by a number of Business Services around the country. (Note: the Greenacres tool is in fact a hybrid assessment system, discussed further in section 5.5 below). In fact, none of the systems reviewed in the research project were competency-based only. Therefore, this section discusses the potential application of assessment processes focusing on competencies only.

In an assessment process that examines competency only, the assessment allocates employees to a wage classification band determined by complexity of job, which considers not only the tasks the person completes, but also the skills, knowledge and attitudes (that is, competencies) the person possesses. The assessment is linked to a training model whereby the domains in which the employee has not demonstrated competency may be addressed, enhancing the employee's career path options.

The review of competency-based assessment tools revealed a number of key considerations. First, it was noted that many systems that claimed to be competency-based were in fact skills-based in the context of the definitions in section 3.4 above. In fact, there was only one competency-based tool reviewed by the team that demonstrated a link to accepted industry standards (Wangarang Industries). Second, the rationale for calibration or alignment of assessed scores to a wage level was not clearly articulated. In fact, the research team considers that whilst some of the assessment processes appeared sound and valid, the link to a 'fair' wage was not in keeping with the assessed level of competency. That is, the research team noted that some extremely capable people who were functioning in quite complex jobs had been assessed as competent, yet their pay did not reflect this. Finally, some assessment processes that were considered solely competency-based actually included elements of productivity assessment within them, and should actually be considered a hybrid system. An analysis of the merits of hybrid systems is presented in section 5.5.

Advantages

In a true competency-based assessment system, employees are assessed in accordance with industry-determined competencies, which are generally linked to training needs identification. This system enhances the employee's potential to progress through a structured career path, and enables transferability of assessment between workplaces, even if the job changes, as many common or generic competencies apply to a variety of industries.

Other advantages of a purely competency-based assessment tool are:

- assessment is usually conducted separately to the Individual Employment Plan by specialist qualified assessors (organisations using a competency-based system are usually committed to principles of life-long learning);
- competencies are recognised regardless of the employee's level of output, rewarding workers that may not necessarily be the fastest, but taking into account the skills and knowledge applied in completing a particular job;
- competency assessment enables the allocation of jobs (particularly more complex jobs) to those who are qualified and competent to fill the position;
- consistent assessment, training and wage determination/classification processes may be used for disabled and non-disabled workers, minimising discrimination and enhancing opportunities for the establishment of integrated workplaces;
- workers may access education and training externally—this contributes to the attainment of competencies or industry approved qualifications (for example, certificates linked to training packages, traineeships/apprenticeships and so on); and
- there is a clear link to relevant awards, and opportunities for transition to open employment are enhanced as competencies and qualifications are transferable.

Disadvantages

If competency-based assessment does not take worker productivity into account, the wage determination would indicate that anyone with a set of competencies is entitled to 100 per cent of the award wage. This would be considered inappropriate in many Business Services (and in the 'usual' workplace), as the rate of output of these employees significantly influences the profitability (and therefore capacity to pay) of the Business Service. The incentive to employ people with disabilities would therefore be dramatically reduced.

The relative recency of competency-based assessment may also act as a barrier to the implementation of such systems. Productivity-based assessment has become the norm in open employment settings and in a number of Business Services, whereas competency-based assessment has been implemented in relatively few services. Resources directed toward training Business Services and employees in competency-based assessment would be required prior to the implementation of a single assessment tool utilising competency-based principles.

Other disadvantages of a competency-based system include:

- cost—application of a true competency-based assessment system requires the investment of significant resources including assessment costs, training resources and administration/coordination;
- timing—implementing formal competency-based assessment in large organisations will require significant planning; and
- Calibration of wage rates in accordance with assessed competency levels—at this stage considered inappropriate, and more work is required to ensure that both the assessment and the corresponding wage rate are fair and equitable.

5.5 Hybrid models

Hybrid models identified during the research project are highly variable depending on the balance or priority of competency versus productivity assessment. As discussed above, some assessment processes that were considered competency-based only, in actual fact included productivity elements. In addition, it

should be noted that the preferred model of best practice for wage determination was most commonly cited as a combination of productivity and competency-based assessment.

The hybrid assessment tools that were considered most effective by the research team include an initial competency assessment component that broadly 'streams' employees by competency level, with subsequent productivity assessment to determine exact wage rates against appropriate benchmarks. Ideally, the benchmarks will be set by a co-worker in an integrated workplace environment or will be documented in appropriate industry standards. As identified above, however, only one assessment process linked the competency assessment to endorsed industry training package competencies.

Advantages

As may be expected, the hybrid model has the potential to utilise the best components of both productivity and competency-based assessment tools, although the research team is reluctant to recommend any of the current models as an ideal example of best practice.

The potential benefits of the hybrid model include:

- recognising competencies of employees as well as their outputs;
- enabling transferability of assessment (or parts of the assessment) between jobs or workplaces;
- assessment methods are flexible and the worker has a greater involvement in negotiations associated with the assessment;
- enhancing links between training and employment, and between open and sheltered employment;
- rational links to awards can be developed;
- the capacity to place the most appropriate person in each job is enhanced; and
- issues associated with refined or tailored jobs are minimised, as is the reliance on co-worker benchmarks.

Disadvantages

Whilst the hybrid model is the preferred model of the research team, there are potential disadvantages that should be considered prior to adoption of a hybrid assessment model. These issues include:

- a hybrid system may be complicated and difficult to understand for Business Services and employees alike—decisions relating to the negotiation of wages based on these assessments should be made after clear discussion of the assessment process and outcome. A single assessment process across the sector will minimise confusion;
- hybrid models may be manipulated if wage calculation following the assessment is inappropriate. Again, a single validated system will minimise the potential for misuse of a hybrid model;
- Business Services will be required to allocate significant resources toward assessment (if not subsidised) and in-house (on-the-job) training, in addition to facilitating access to external training programs; and
- whilst elements of the assessment will be transferable and linked to open employment, dichotomous assessment processes in Business Services and open employment settings will remain. Ultimately, however, the single assessment tool for Business Service employees may be adapted to open employment settings.

The research team concluded that a hybrid model represents the most appropriate method of wage determination in Business Services. However, the team is reluctant to recommend any of the existing assessment tools as the preferred method of hybrid wage assessment.

6 Industrial relations, training and variability

6.1 The role of unions and industrial relations bodies

6.1.1 Unions

Some difficulty was experienced in engaging union representatives during the consultation process, although two union groups were consulted regarding issues associated with wage rates for employees in Business Services. It appears that the energy of unions is predominantly directed toward workers in open employment, particularly in industries/workplaces where union membership levels are high. Very few Business Service employees are members of appropriate unions, except in Western Australia where a specific Disabled Worker's Union has been established. The primary reasons for low levels of membership cited by informants were the expense of membership fees and anecdotal evidence of employers discouraging union membership, although the latter was not observed by the research team.

Informants in the consultation process reported that ideally, union involvement could take place at a number of levels, and that this involvement can be effective and representative without being intrusive or counter-productive. It was consistently reported that unions rarely played a major role in developing/reviewing enterprise agreements, approving Supported Wage assessments or reviewing 'Slow Worker Permit' applications, despite the fact that this involvement is expected. Often, union involvement is limited to a signature as required or a cursory check of application/agreement details.

6.1.2 Industrial relations

Links between Business Services and industrial relations agencies are becoming increasingly important, particularly in light of the February 2001 decision of the Australian Industrial Relations Commission not to agree to certify the enterprise agreement of Coffs Harbour Challenge Inc. When asked about the level of awareness and contextual knowledge industrial relations agencies (and commissioners) held, feedback was variable. Some specific commissioners were identified as having a sound understanding of the issues associated with people with disabilities and Business Service operations, although for the most part, it was considered that their knowledge was limited. It is possible, therefore, that this lack of awareness has led to the ratification of some Enterprise Agreements without the level of scrutiny that may be expected.

It was consistently reported that industrial relations commissioners should have access to education/information relating to Business Service operations, particularly in relation to rates of pay and links to relevant awards.

6.2 Linking assessment to training opportunities

Most Business Services participating in the consultation process recognised that assessment should be linked to the identification of training needs. In fact, a number of existing wage assessment processes have either formal or informal links to training via the individual planning process for each individual employee in Business Services. Most of the training offered to Business Service employees is then conducted in-house, with a variety of training strategies implemented including on-the-job, off-the-job or combined training methods. Occasionally, external training providers (for example, TAFE colleges) are used for training employees.

It was acknowledged that training is a mechanism by which employees may address deficiencies in their productivity or competency level, and the completion of appropriate training often leads to the employee adopting new tasks, jobs and subsequently 'graduating' to a different level of pay. The formal processes in

which training needs are identified, a training program is developed and conducted and the way in which this ultimately influences wages varies significantly between Business Services. The priority and level of resources allocated to training in Business Services also varies throughout the sector.

In 1999, the Australian National Training Authority (ANTA) Disability Forum published *Bridging Pathways: National plan of action for increasing opportunities for people with a disability in vocational education and training*. It acknowledged that people with a disability are under-represented in the VET sector and describes a new vision for achieving equitable vocational education and training outcomes for people with a disability. Each State Government has responsibility for the implementation of the Bridging Pathways initiatives, with some strategies having commenced in various sites across Australia. Bridging Pathways represents a significant opportunity for Business Services to support skills enhancement for their employees, with mutual benefit to both Business Service and the individual.

6.3 Interstate variation

Each state and territory varies in terms of how Business Services are structured, how they operate, what industries they are involved in and the legislation/regulations by which they are bound. In consulting with key stakeholders, a number of complicating issues were identified that 'muddy the waters' or limit comparability of the sector across the country. Whilst these issues were not explored in great detail, some of the main differences between the states/territories that relate directly to this research are described below:

- the presence of Western Australia's Disabled Worker's Union, the only one developed specifically for workers with disabilities;
- South Australia's listing of services exempted from its Industrial Relations Act;
- the varying number and different levels of experience of Industrial Relations Commissioners around the country;
- Victoria's relinquishment of 'Slow Worker Permit' responsibilities to the Commonwealth under section 509 of the Commonwealth Industrial Relations Act;
- Queensland's extremely high proportion of Business Services under the auspice of one organisation (Endeavour);
- the activities of industrial relations consultants tend to be concentrated in NSW and Victoria, leading to a higher proportion of Enterprise Agreements being filed in these states;
- state government policy has an impact on the resources and focus of day activity and post-school options programs, which influences the demand for Business Services (and vacancy rates); and
- historical background of Business Services in each state/territory varies, as does the business mix, structure and function of Boards of Management.

Significant intra-state variation was also noted during the research project. Primary areas of variation that influence the structure and operation of Business Services included:

- relationships with state and Commonwealth departments;
- size of the organisation and opportunities for service subsidisation where multiple service types provided;
- structure and history of the Board of Management;
- standard or classification of the Business Service, particularly differences between section 10 and section 13 services under the Disability Services Act;

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- rural and metropolitan differences—rural Business Services often provided in conjunction with accommodation, transport and care support services; and
- business type or industry in which Business Services engage has a significant impact on financial viability, market competitiveness and number of employees supported.

7 Assessment tool comparison

7.1 Assessment tool comparison matrix

To evaluate the relative strengths and weaknesses of existing wage assessment processes being employed by Business Services, a matrix incorporating a range of criteria defining elements of each process was developed. The matrix addresses each tool/system's compliance with relevant legislation and standards, wage outcomes for workers, and the extent to which the process meets social and political expectations. In addition, the scientific rigour and practical applicability of each tool/process has been considered in the matrix.

The key components of the matrix are:

- compliance with relevant legislation and standards;
- validity—the extent to which the assessment is assessing what it claims to be assessing (that is, competence or productivity);
- reliability—the extent to which different assessors would achieve the same result when assessing the same person (inter-rater) and the extent to which the same assessor achieves the same result for similar situations or for the same person at different times (intra-rater);
- wage outcome—an assessment of the 'fairness' and appropriateness of the wage outcome from the assessment in accordance with assessed 'scores';
- practical application of the tool; and
- administration and cost implications of instituting the system.

The types of assessment tools/processes have been separated in accordance with the rationale upon which they are based. As discussed previously, a range of assessment processes (with varying degrees of structure and formality) are currently used by Business Services. The assessment types described below represent the main categories observed during the research project.

Whilst the matrix overleaf attempts to present an objective comparison of assessment tools, some subjectivity was required in the absence of detailed comparison studies. In addition, it should be recognised that the consideration of reliability, validity and legislative compliance was based on brief site visits, responses to stakeholder surveys and review of documentation. Whilst we acknowledge the limitations this places on the rigour of the arguments presented in the matrix, it represents the research team's 'best guess' on the basis of the information presented.

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ELEMENT OF COMPLIANCE	ASSESSMENT TOOL/PROCESS					
	SWAT	Greenacres	Other productivity	Competency only	Hybrid	Ad hoc/Historical
Disability Services Standards	Complies	Complies	Some questionable	Would comply	Most comply	Many questionable
Disability Services Act	Complies	Complies	Most comply	Would comply	Most comply	Some questionable
Disability Discrimination Act	Complies	Complies	Most comply - more detailed assessment required.	Likely to comply	Comply – fosters workplace integration.	Some questionable, particularly those continuing to pay historical (usually very low) wage rates
Workplace/ Industrial Relations Act(s)	Complies	Complies	Usually comply - have been included in some enterprise agreements.	Likely to comply	Complies – may be linked directly to award and industry standards.	Questionable compliance.
Validity	Very good – independent accredited assessors using standardised and structured assessment tool. Applied across various settings/ industries.	Good – assessors trained but internal to organisation, potentially limiting objectivity. Being tested in other settings/ industries (generic application).	Average – most use internal assessors with a range of qualifications/ experience. Systems sometimes not structured.	Variable – range from average to very good, depending on training, experience and objectivity of assessors and structure of assessment process.	Average – systems not always formalised or documented.	Poor – large degree of variability, process not transparent.

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ELEMENT OF COMPLIANCE	ASSESSMENT TOOL/PROCESS					
	SWAT	Greenacres	Other productivity	Competency only	Hybrid	Ad hoc/Historical
Reliability	Strong – standardised tool and independent assessors enhance reliability.	Reliable within the organisation, and system is only endorsed in other Business Services when sold with training.	Internal reliability likely to be variable unless assessors are trained and monitored. External reliability not applicable.	Variable - depends on qualifications, training, monitoring of assessors and supporting QA mechanisms.	Variable – depends on assessor training and supporting QA mechanisms.	Poor - usually limited supporting documentation, may have no formal assessment structure.
Acceptability to workers/carers	Well understood, due to application throughout open employment setting.	Clearly articulated to employees, but a complex system. Processes in place to enhance employee's understanding.	Usually quite clear and simple.	May become complex, consumer/advocate training required.	May become complex, consumer/advocate training required.	Usually clear, often based on rationale that all workers earn the same.
Administration/ cost	Commonwealth subsidised for some services, not s13 Business Services.	Significant commitment to the Training Unit (to cover costs of assessment) is required.	Assessments can be tailored to fit resource availability.	Application of endorsed Training Package competencies may reduce pre-assessment workload.	Reasonably costly if conducted with all QA processes, or if not subsidised.	Low cost option.
Links to training/ development	Average – does not apply assessment to training/development needs.	Very good – training closely linked to findings of assessment.	Not necessarily linked to formal training.	Likely to enhance access to training with transferable qualifications.	Has potential to link with variety of training structures, including on-the-job, in-house or external (eg TAFE) programs delivering transferable qualifications.	Limited - training usually limited to personal development/daily living skills training eg transport to work.

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ELEMENT OF COMPLIANCE	ASSESSMENT TOOL/PROCESS					
	SWAT	Greenacres	Other productivity	Competency only	Hybrid	Ad hoc/Historical
Calibration of wage determinant	Good - linked to co-worker benchmark, but may be manipulated.	Average - wage outcome does not adequately reflect assessed capacity, as it is not linked to industry endorsed Training Packages.	Average – good. If linked to SWAT increments or productivity benchmarks.	Likely to be good if linked to endorsed Training Package competencies.	Good - can link to endorsed competencies and productivity benchmarks. Should ensure that employees are not 'doubly-penalised'.	Poor - usually paid based on arbitrary determinations.
Payment outcome	Good	Average – can be used to match capacity to pay.*	Poor – Average – can be used to match capacity to pay.	Average – can be used to match capacity to pay.	Average – can be used to match capacity to pay.	Variable – usually poor
Incorporation into certified agreements	Yes – numerous agreements in place.	Yes – agreement in place.	Occasionally – likely to be placed under increased scrutiny.	Possible	Occasionally, otherwise use 'slow worker permit' applications	Some have had wage processes included in enterprise agreements by linking to awards (eg as a proportion of award).

PRO-RATA WAGE ASSESSMENT FOR PEOPLE WORKING IN BUSINESS SERVICES

ELEMENT OF COMPLIANCE	ASSESSMENT TOOL/PROCESS					
	SWAT	Greenacres	Other productivity	Competency only	Hybrid	Ad hoc/Historical
Advantages	<p>Accepted by open employment sector and understood by services.</p> <p>Promotes links between Business Services and open employment.</p> <p>Clear link to award wages, model clause already part of many awards.</p>	<p>Enables transferability of skills.</p> <p>Accreditation and registration of courses/assessors enhances credibility.</p> <p>Cost-effective if linked to ongoing training models.</p>	<p>Assessment can be adapted to meet needs of individual and/or job.</p> <p>Cost-effective.</p> <p>Does not necessarily on co-worker, may be linked to other benchmarks.</p>	<p>Potential to link with industry-endorsed competencies.</p> <p>Potential to link with formally recognised training.</p>	<p>Has potential to consider both productivity and industry-endorsed competencies.</p> <p>Enhances links to formally recognised training.</p>	<p>Assessment (if conducted) is opportunistic, therefore low cost</p> <p>Employees not differentiated on basis of productivity etc.</p>
Limitations	<p>Designed for open employment settings.</p> <p>May be difficult to compare with non-disabled co-worker due to nature of job.</p> <p>Potentially costly.</p> <p>Assessed level reflects comparative performance over short term only.</p>	<p>In-house assessment may limit objectivity.</p> <p>Potentially costly to services without significant commitment to training and assessment.</p>	<p>Assessors usually in-house, may limit objectivity.</p> <p>Assessment not transferable between industries or jobs.</p>	<p>Does not consider productivity, which would limit acceptance within the sector.</p>	<p>May increase wages beyond capacity to pay.</p> <p>May 'doubly penalise' employees if not appropriately structured.</p> <p>May be costly if not planned/implemented effectively.</p>	<p>Usually based on historical or subjective processes.</p> <p>Demonstrates lack of sophistication in business/admin processes.</p> <p>Usually associated with low wages.</p>

* The assessment of the Greenacres tool recognises that wage outcome is better than in many other Business Services, but the research team considers that improvements may be made.

8 Recommendations

The following recommendations have been formed on the basis of findings from the research project, including background research and a broad consultative process engaging a diverse group of stakeholders.

8.1 Design of a single assessment tool

Recommendation 1

A single wage assessment tool for wage determination in Business Services should be developed on behalf of FaCS. The assessment tool should be developed in close consultation with the sector, undergo extensive testing and build on the strengths of existing assessment processes.

Recommendation 1A

In the design of the single assessment tool, the following existing assessment mechanisms should be reviewed in further detail, as these systems exhibited some sound elements:

- The SWAT
- The Greenacres tool (Wollongong, New South Wales)
- Wangarang Industries (Orange, New South Wales)
- WestCare Industries (Perth, Western Australia)

Recommendation 2

The assessment tool should combine elements of both competency and productivity assessment, which links directly to endorsed industry standards wherever practicable. The development of the assessment tool should include identifying the competencies incorporated in industry training packages that are most applicable to Business Service activities.

Recommendation 2A

The dual assessment elements should not compound reductions in wage rates. For example, an employee with 50 per cent of level x competencies working at 50 per cent of the productivity benchmark should not receive 25 per cent of the relevant award wage (that is, 50 per cent x 50 per cent). A 'sliding scale' approach should be adopted.

Recommendation 3

The preferred tool should include provisions for a minimum wage 'safety net' for employees of Business Services. Further, the minimum wage should be in the order of \$50 per week, appropriately indexed to increases in award rates of payment (or the CPI). Pro-rata payment of the safety net wage is not considered appropriate.

Recommendation 4

The assessment tool should be applicable to all industry settings in which Business Services operate. This may require the conduct of an industry audit. This will enable identification of the appropriate industry training packages (and competencies) with which the assessment tool should be linked.

Recommendation 5

The assessment tool should provide a direct and rational link to appropriate awards. Current wage structures that link historical pay rates to an award by identifying a proportional award payment without a defined assessment process are not considered appropriate.

Recommendation 6

The single assessment tool should be not only a valid and appropriate assessment system, but the calculation of corresponding wage rates should also be considered. It is considered that the wage determination process should be incorporated into the assessment tool.

8.2 Implementing the assessment tool

Recommendation 7

As part of the development and trialing of a single assessment tool, comparative studies in some Business Services should be conducted to monitor the impact of implementing the new tool on the cost of wages.

Recommendation 8

Wage determination assessments should be conducted by independent assessors (endorsed by FaCS), who hold the national units of competence for conducting assessment (or equivalent), namely:

- BSZ 401A Plan Assessment
- BSZ 402A Conduct Assessment
- BSZ 403A Review Assessment.

Recommendation 9

Wage assessment should be conducted in a process that is separate to the employee's Individual Employment Plan, yet is strongly linked to goal-setting, training needs identification and career path establishment.

8.3 Additional considerations

Recommendation 10

Wage determination assessments should be closely linked to training opportunities for employees in Business Services, including both in-house (on and off-the-job) and external training (for example, involvement in TAFE courses).

Recommendation 11

'A Guide to Good Practice Wage Determination' should be made available to all Business Service outlets and relevant industrial relations organisations, particularly Industrial Relations Commissioners involved in the assessment of Enterprise Agreements.

Recommendation 12

Business Services should enhance links with the training sector, particularly with registered training organisations, to facilitate the achievement of recognised industry-related qualifications.

Recommendation 13

Business Services should demonstrate a commitment to the payment of superannuation for all employees, including those earning less than the superannuation guarantee threshold. This minimises discrimination on the basis of reduced capacity to earn full award wages.

Recommendation 14

The implementation of the preferred single wage assessment tool should be included as part of ongoing quality assurance monitoring.

Recommendation 15

The implementation of a single wage assessment tool for Business Services should include subsidisation from FaCS to assist in the payment of independent assessors and potential increases in administrative costs, at least during the preliminary implementation stage.

Recommendation 16

A training program for Business Service managers, Centrelink, consumers and employment agencies should be developed and implemented to address misconceptions/misinformation relating to the impact of award-linked wages on social security benefits/eligibility.

Recommendation 17

Prior to the implementation of the single assessment tool, a training program should be conducted describing the rationale for the tool, with particular emphasis on the competency-based assessment component.

9 Additional observations of the research team

The following observations by the research team represent issues that require further analysis or consideration.

- Not all Business Services are funded by the Commonwealth as section 10 services. This limits access to the SWS and influences the development and adoption of structured wage determination systems.
- The SWS was designed specifically for open employment assessments, limiting its applicability in some Business Service settings. Although the SWS is accepted in open employment, there is some debate over its applicability in Business Service settings.
- The minimum wage under the SWS of approximately \$50 per week is more than a number of Business Services currently pay, or (reportedly) have the capacity to pay.
- Where the SWS is not implemented in its entirety, adaptations are occasionally made whereby assessments are conducted 'in-house' as costs of assessment using the SWAT are not subsidised by the Commonwealth.
- Some Business Services apply adapted forms of the SWAT to determine productivity-based wages for employees. These services claim that the SWAT requires amendment as its original focus was on the open employment setting.
- Findings and standards relating to the implementation of competency-based assessment for the purpose of wage determination are based on the attainment of qualifications. Competency-based pay systems without recognised qualifications are rare.
- Competency-based assessment has developed from a training paradigm—however, formal links to training are inconsistent across the sector.
- The impact of wage earnings on social security entitlements has been identified as an issue requiring clarification for Business Service operators, workers and their advocates/families. This relates not only to the sliding scale for Disability Support Pension payments, but also retention of Pharmaceutical Allowance, Rent Assistance and health care/concession cards.
- Recommendations prescribing wage assessment processes for Business Services are likely to have a significant impact on many Business Services, particularly in relation to financial viability, cost of assessment and administrative requirements.
- Interstate variations, particularly in the determination of industrial agreements, may complicate the implementation of recommendations of this project.
- Consideration should be given to the implications of prescribing wage determination conditions that may not have been met in the negotiation of pre-existing industrial agreements. That is, what will be the impact on existing wage assessment processes and certified agreements (that have been ratified) that do not comply with refined standards/legislation?
- A number of concurrent/recent projects are likely to have a direct impact on the findings and implementation of this report, including the Case-Based Funding trial, Business Services review, SWS review, Quality Assurance trial and Award Based Wages Training. Wherever possible, the findings and recommendations of these projects have been considered.
- The research team did not review a representative sample of Business Services, and it is possible (yet considered unlikely) that alternative wage determination models are in existence.

Appendix A Applicable Disability Services Standards

The following lists the 11 Disability Service Standards, and the supporting standards of those directly related to the provision of employment support.

Standard 1 Service Access

Each consumer seeking a service has access to a service on the basis of relative need and available resources.

Standard 2 Individual Needs

Each person with a disability receives a service which is designed to meet, in the least restrictive way, his or her individual needs and personal goals.

Standard 3 Decision Making and Choice

Each person with a disability has the opportunity to participate as fully as possible in making decisions about the events and activities of his or her daily life in relation to the services he or she receives.

Standard 4 Privacy, Dignity and Confidentiality

Each consumer's right to privacy, dignity and confidentiality in all aspects of his or her life is recognised and respected.

Standard 5 Participation and Integration

Each person with a disability is supported and encouraged to participate and be involved in the life of the community.

Standard 6 Valued Status

Each person with a disability has the opportunity to develop and maintain skills and to participate in activities that enable him or her to achieve valued roles in the community.

Supporting Standards

1. The agency's written policies and procedures reflect the valued status of consumers.
2. The agency promotes the abilities, contribution and competency of people with a disability.
3. Each person with a disability has the opportunity to develop and maintain skills, capacities and life-styles that are valued in the community.

Standard 7 Complaints and Disputes

Each consumer is free to raise and have resolved, any complaints or disputes he or she may have regarding the agency or the service.

Standard 8 Service Management

Each agency adopts sound management practices which maximise outcomes for consumers.

Supporting Standards

1. The agency ensures the legal and human rights of people with a disability are upheld within the service.
2. The agency provides a safe physical environment for its consumers.
3. Consumers have the opportunity and support to take part in the planning, management and evaluation of the service.
4. The agency monitors its activities and regularly evaluates whether it is meeting its objectives and the Disability Services Standards.
5. The roles and responsibilities of the board, committee of management, and staff of the agency are clearly defined, documented and available.
6. People with a disability receive services from appropriately skilled and competent staff.
7. The agency ensures that its employed and volunteer staff receive appropriate support; and that they understand their role, the administration of the agency and the service, and their accountability for their work related activities.
8. The agency implements a policy on affirmative action with regard to employment of people with a disability.
9. The agency develops and implements written policies and procedures relating to complaints and disputes by staff and other persons.
10. Resources are managed to maximise the funds available to provide services for consumers.
11. The agency has available, upon request, annual reports that demonstrate consumer, service and financial outcomes.
12. The agency has a process of co-ordination with other agencies, advocacy and consumer organisations in the area.

Standard 9 Employment Conditions

Each person with a disability enjoys comparable working conditions to those expected and enjoyed by the general workforce.

Supporting Standards

1. The agency ensures that each employee with a disability has the same rights, protections and responsibilities as other people in the workforce.
2. The agency ensures that each employee with a disability receives an agreed minimum wage or salary which reflects progress toward an award-related wage.
3. Where the agency is also the employer, the budgeted costs of the agency reflect progress towards an award-related wage.
4. The agency recognises that labour costs of employees with a disability are an integral cost of running a business and accordingly are a part of the budgeted costs.

5. The agency's budget reflects that Government contributions do not subsidise the wages and salaries of employees with a disability.
6. The agency provides opportunities for career advancement, including access to training and skills development consistent with the opportunities provided in the general workforce.
7. The agency ensures that each employee with a disability works in a job and in a work environment in which he or she receives the same employment conditions, rights, protections and responsibilities as those expected and enjoyed by other people in the general workforce.
8. The agency ensures that employees with a disability are supported on the basis of their needs and —interests and are not grouped solely on the basis of their disability.
9. The agency ensures that each employee with a disability receives award wage rates or pro-rata award wage rates determined through an independent industrial relations process.
10. The agency ensures that each employee is employed under an award or industrial agreement.

Standard 10 Employment Support

The employment prospects of each person with a disability are maximised by effective and relevant support.

Supporting Standards

1. The agency has a commitment to successful long-term employment for each person with a disability.
2. The support activities of the agency are directed towards assisting people with a disability to achieve and/or maintain employment in jobs which satisfy the employment conditions standard.
3. Each person's support program is based on an individual assessment.
4. The level of support to be provided is agreed between the agency and each person with a disability.
5. The agency develops a range of supports to meet the employment related goals of each person with a disability.
6. The agency provides work support and work-related support to assist with skills development, job-seeking, job participation and job retention of each person with a disability.
7. The provision of support allows the maximum participation and integration of each employee with a disability into the work and social activities of the workplace.
8. The agency regularly reviews the level and type of support provided to meet the agreed ongoing and changing needs of each person with a disability.
9. The agency provides or facilitates training to each person with a disability covering his or her industrial rights and the industrial relations environment.
10. The agency ensures that each person with a disability is supported on the basis of his or her need and interests and is not grouped solely on the basis of his or her disability.

Standard 11 Employment Skills Development

The employment prospects of each person with a disability are maximised by effective and relevant training.

Supporting Standards

1. The agency has a commitment to successful long-term employment for each person with a disability.
2. The agency ensures that people assist in Commonwealth funded employment services before 1 March 1993, continue to receive a 'wage', allowance or other payment no less, in real terms, than they received at that date.
3. The agency provides a range of training and work experience that is employment focused and directed towards developing and maintaining skills which are relevant to current and future labour market needs.
4. Each person with a disability is assessed within a maximum of three years by a Disability Support Pension panel or an equivalent mechanism, to determine the nature and scope of appropriate post-skills development support and eligibility for continuing employment skills development.
5. The agency ensures that people in receipt of support in funded employment services on 1 March 1993 will have the opportunity for continued support.
6. The agency, in consultation with each person with a disability, identifies and documents his or her training and skills development needs and the approaches to meeting those needs.
7. The agency ensures that the agreed approach to meeting the training and skills development needs of each person with a disability is implemented and reviewed with that person in terms of progress towards securing open employment with a defined and agreed time limit.
8. The agency provides access to work experience and on-the-job training in areas of employment that focus on marketable skills and/or realistic opportunities for employment.
9. The agency provides assistance and support in job seeking and job participation through developing formal links with employment placement agencies.
10. The agency is taking steps to accredit courses, recognise trainers and register training providers in accordance with the objectives of the National Framework for the Recognition of Training (NFROT).
11. Any training, including on-the-job training is in accord with the objectives of the National Framework for the Registration of Training (NFROT).

Appendix B The Model Clause

A model clause

1. Workers Eligible For A Supported Wage

This clause defines the conditions which will apply to employees who because of the effects of a disability are eligible for a supported wage under the terms of this agreement/award. In the context of this clause, the following definitions will apply :

- 1) 'Supported Wage System' means the Commonwealth Government system to promote employment for people who cannot work at full award wages because of a disability, as documented in '[Supported Wage System : Guidelines and Assessment Process]'.
- 2) 'Accredited Assessor' means a person accredited by the managing unit established by the Commonwealth under the Supported Wage System to perform assessments of an individual's productive capacity within the Supported Wage System.
- 3) 'Disability Support Pension' means the Commonwealth pension scheme to provide income security for persons with a disability as provided for under the Social Security Act 1991, as amended from time to time, or any successor to that scheme.
- 4) 'Assessment instrument' means the form provided for under the Supported Wage System that records the assessment of the productive capacity of the person to be employed under the Supported Wage System.

1.1 Eligibility Criteria

Employees covered by this clause will be those who are unable to perform the range of duties to the competence level required within the class of work for which the employee is engaged under this agreement/award, because of the effects of a disability on their productive capacity and who meet the impairment criteria test for a Disability Support Pension.

(The clause does not apply to any existing employee who has a claim against the employer which is subject to the provision of workers' compensation legislation or any provision of this agreement/award relating to the rehabilitation of employees who are injured in the course of their employment).

The clause also does not apply to employers in respect of their facility, programme, undertaking, services or the like which receives funding under the Disability Services Act 1986 and fulfills the dual role of service provider and sheltered employer to people with disabilities who are in receipt of or are eligible for a Disability Support Pension, except with respect to an organisation which has received recognition under s10 or s12A of the Act, or if a part only has received recognition, that part.

1.2 Supported Wage Rates

Employees to whom this clause applies shall be paid the applicable percentage of the minimum rate of pay prescribed by this award/agreement for the class of work which the person is performing according to the following schedule:

Assessed Capacity (clause 1.3)	% of Prescribed Award Rate
10%*	10%
20%	20%
30%	30%
40%	40%
50%	50%
60%	60%
70%	70%
80%	80%
90%	90%

(Provided that the minimum amount payable shall be not less than \$45 per week).

- Where a person’s assessed capacity is 10%, they shall receive a high degree of assistance and support.

1.3 Assessment of Capacity

For the purpose of establishing the percentage of the award rate to be paid to an employee under this award/agreement, the productive capacity of the employee will be assessed in accordance with the Supported Wage System and documented in an assessment instrument, by either:

- 1) the employer and a union party to the award/agreement, in consultation with the employee, or, if desired by any of these;
- 2) the employer and an accredited Assessor from a panel agreed by the parties to the award and the employee.

1.4 Lodgment of Assessment Instrument

- 1) All assessment instruments under the conditions of this clause, including the appropriate percentage of the award wage to be paid to the employee, shall be lodged by the employer with the Registrar of the Industrial Relations Commission.
- 2) All assessment instruments shall be agreed and signed by the parties to the assessment, provided that where a union which is a party to the award/agreement, is not a party to the assessment, it shall be referred by the Registrar to the union by certified mail and shall take effect unless an objection is notified to the Registrar within 10 working days.

1.5 Review of Assessment

The assessment of the applicable percentage should be subject to annual review or earlier on the basis of a reasonable request for such a review. The process of review shall be in accordance with the procedures for assessing capacity under the Supported Wage System.

1.6 Other Terms and Conditions of Employment

Where an assessment has been made, the applicable percentage shall apply to the wage rate only. Employees covered by the provisions of the clause will be entitled to the same terms and conditions of employment as all other workers covered by this award/agreement paid on a pro rata basis.

1.7 Workplace Adjustment

An employer wishing to employ a person under the provisions of this clause shall take reasonable steps to make changes in the workplace to enhance the employee's capacity to do the job. Changes may involve re-design of job duties, working time arrangements and work organisation in consultation with other workers in the area.

1.8 Trial Period

- 1) In order for an adequate assessment of the employee's capacity to be made, an employer may employ a person under the provisions of this clause for a trial period not exceeding 12 weeks, except that in some cases additional work adjustment time (not exceeding 4 weeks) may be needed.
- 2) During that trial period the assessment of capacity shall be undertaken and the proposed wage rate for a continuing employment relationship shall be determined.
- 3) The minimum amount payable to the employee during the trial period shall be no less than \$45 per week.

or, in the case of paid rates awards:

The amount payable to the employee during the trial period shall be \$45 per week or such greater amount as is agreed from time to time between the parties (taking into account the Department of Social Security income test free area for earnings) and inserted into this Award.

- 4) Work trials should include induction or training as appropriate to the job being trialed.
- 5) Where the employer and employee wish to establish a continuing employment relationship following the completion of the trial period, a further contract of employment shall be entered into based on the outcome of the assessment under clause 1.3.

1.9 Savings Provision

Despite the variation to clause [no] of the Award, any arrangement entered into by an employer with the consent of the [names of parties required to provide their consent under the existing clause] concerning the payment of a person at a rate lower than the minimum wage prescribed by the Award, may continued as if the variation to clause [no.] has not been made.

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