



2020 ESAt Review

Final report

21 AUGUST, 2020



Australian Government
Department of Social Services

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Executive summary

The recent Mid-Term Review of the Disability Employment Services program (DES) highlighted the unclear value-for-money currently provided, given the rising caseload and spend but soft growth in employment outcomes. Employment Services Assessments (ESAts) are a critical process step in controlling entry into the Disability Employment Services program (DES), allowing for qualitative assessment of the employment barriers faced by job seekers. Ensuring that ESAts are effective, accurate, and consistent is critical to matching appropriate supports to job seekers, and for the ongoing sustainability of DES.

Using analytical and qualitative research, this ESAt Review identified that while ESAts are carried out with a high degree of professionalism, there are suggestions of variation in decision-making patterns, likely due to unclear and generalised guidelines. ESAt assessors face the challenging task of making professional judgments of the severity of barriers to employment faced by a diverse set of ESAt participants. Tightening the guidelines, with clearer specification of what criteria should and should not be used to inform decision-making, will help ensure assessors are equipped to align decisions with policy intent. In addition, a revamped and more tightly targeted Quality Assurance (QA) process will communicate priorities and support information-sharing across assessors. Opportunities also exist to free up assessor workload by eliminating the compulsory ESAts that take place after 18 months of participation in DES.




It is estimated that these changes could result in a net reduction of referrals into DES of between 2 to 7 per cent, translating to a reduction in DES spend of between \$25–90m by 2022-23, along with better matching of individuals to the supports available. Given these implications, a rapid implementation timeline is proposed. However, it is important to allocate time for cross-Commonwealth stakeholder engagement, to avoid any unintended consequences of ESAt changes.

Nonetheless, adjustments to ESAts alone will make a moderate impact at best on the issues identified by the Mid-term DES Review. Broader, more fundamental reconsideration of DES design and eligibility is required. In addition, the complexity of organisational oversight for DES entry – where three policy agencies and one service delivery agency all have varying responsibilities and interests across the end-to-end process – emphasises the importance of the Mid-term Review's recommendation to consolidate the governance of the Commonwealth's employment services programs.

Chapter-by-chapter overview

Chapter	Content
Chapter 1: Context and introduction	<ul style="list-style-type: none">• Description of flagship employment services programs and the role of ESAts and JSCIs in managing program access• Recent history of rapidly increasing caseload and spend in DES, alongside soft employment outcome growth, and the underlying causes of that growth• Scope, timeline, and methodology of the ESAt Review
Chapter 2: Referrals (triggers and triaging)	<ul style="list-style-type: none">• Overview of the process by which ESAts are triggered (via new registrations / JSCIs, Change of Circumstance Reviews (COCRs), DES 18-Month Reviews, and DSP applications) and then triaged by Services Australia prior to assessment• Pain points and opportunities for trigger reform: proposed removal of DES 18-Month Reviews, increased scrutiny of COCRs• Automation of triage efforts by Services Australia
Chapter 3: Program recommendations and work capacity assessments	<ul style="list-style-type: none">• Observations from interviews and data regarding consistency and accuracy of ESAt assessments, for both program recommendations and work capacity• Recommended approaches to tightening up ESAt guidelines, accompanying revisions to Quality Assurance to embed and support change, and enforcing ESAt outcomes
Chapter 4: Further opportunities for change	<ul style="list-style-type: none">• Identification of the need for additional data to support ESAt design and DES eligibility policy decisions• Considerations for ESAt design in the context of broader DES redesign
Chapter 5: Impact assessment and proposed implementation	<ul style="list-style-type: none">• Scoping potential impact of changes on DES referral count and spend• Proposed timeline for recommendation implementation, including immediate next steps

Summary of recommendations

Category	Recommendation
 <p>Referrals (triggers and triaging)</p>	<ol style="list-style-type: none"> 1. Ensure changes to the JSCI as part of the new jobactive model consider the impact on ESA^t referrals through consultation between DESE, Services Australia, DSS and the NIAA 2. Update the pre-listed medical conditions which automatically trigger an ESA^t referrals through the JSCI, informed by the likelihood of achieving a useful ESA^t outcome 3. Increase reviews of provider initiated change of circumstances and clarify when to initiate a COCR review (e.g. new medical evidence should only be actioned if it is likely to change work capacity or required supports) 4. Remove the DES 18-Month Review. Alternatively, conduct 18-Month Reviews as file assessments 5. Continue improving the accuracy and efficiency of ESA^t referrals triggered by the online JSCI. This could include adding new questions to the JSCI, or an alternative screening process 6. Ensure the "Screeni Bot" automation is effective and integrates well within current operations (including passing Business Verification Testing). This should include ongoing auditing and recalibration 7. As already planned by Services Australia, continue to build out complementary automations for ESA^t booking and report writing
 <p>Program recommendations and work capacity assessments</p>	<ol style="list-style-type: none"> 8. Update ESA^t guidelines to be clearer and have more specific criteria 9. Provide more examples of correct ESA^t decisions, aligned to updated program guidelines and covering more "borderline" cases 10. Use analytics to target assessor quality assurance activities (e.g. comparison to overall program results, regional results, or to expected results after normalising for other factors) 11. Conduct standardised QA testing across assessors using file assessments, with a focus on "borderline" decisions 12. Provide selective, data-based feedback to assessors to address potential bias. For example, this could be informed by comparison of individual assessor results to program level results 13. Collect data on actual hours worked (e.g. by work capacity band, disability type) to inform assessor training 14. Examine opportunities to enforce Grant Agreement clauses regarding DES exits following an ESA^t recommendation to another program
 <p>Further change opportunities</p>	<ol style="list-style-type: none"> 15. Conduct more extensive data-gathering to inform ESA^t design and DES eligibility decisions 16. Reconsider ESA^t policy in context of DES re-design

List of terminology used in this review

Term	Description
ADE	Australian Disability Enterprises
COCR	Change of Circumstances Review
DES	Disability Employment Services
DMS	Disability Management Service (DES stream)
ESS	Employment Support Service (DES stream)
Disability	Includes sensory impairment, physical impairments, learning disabilities, mental health conditions or behavioural conditions, and injuries and chronic illnesses, and including both permanent and temporary disabilities
DESE	Department of Education, Skills and Employment
DSP	Disability Support Pension
DSS	Department of Social Services
Employment Assistance	The program services provided to a participant prior to achieving an outcome. This continues for a maximum of 18 months, included all prescribed program services to participants who are not receiving Post Placement Support, or until the participant exits the program, starts Ongoing Support, or transitions to Post Placement Support.
ESAt	Employment Services Assessment
Grant Agreement	The Disability Employment Services Grant Agreement, effective as of 1 July 2018 until 30 June 2023. This may be extended up to an additional 10 years at the Department's option.

Term	Description
JCA	Job Capacity Assessment
JSCI	Job Seeker Classification Instrument
NIAA	National Indigenous Australians Agency
Non-medical barriers	Barriers to employment not related to medical conditions. This includes vocational barriers, special needs barriers (e.g. risk of homelessness) and personal factors (e.g. alcohol dependence, relationship breakdown)
Ongoing Support	Services provided to a participant who are assessed as requiring further support in the workplace. This is determined through an Ongoing Support Assessment and is available to participants who have achieved a 26-week Employment Outcome or a Work Assistance, and are currently employed.
Post Placement Support	Services provided to a participant after starting an education or training activity while they are working towards an outcome, unless the participant is in Ongoing Support.
QA	Quality Assurance
SA	Services Australia
TtW	Transition to Work

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Chapter 1 summary: Context and introduction

1.1. Entry to flagship employment services programs is managed through JSCIs and ESAts

DES and jobactive are flagship employment services programs, responsible for ~\$850m and \$1.4b of spend in 2018-19 respectively, where non-government providers are offered incentive payments to assist job seekers in finding employment. DES is intended for individuals for whom disability is their primary barrier to employment. In remote areas, the function of both programs is replaced by the Community Development Program (CDP). Oversight of these programs is split between DSS, DESE, and the National Indigenous Australians Agency (NIAA), with Services Australia as the key delivery partner (including ESAts management).

A two-stage process manages entry into these programs:

- Job seekers complete the JSCI questionnaire, identifying where they might have substantive barriers to employment (including work capacity limitations, disability, or non-disability barriers such as homelessness). JSCI results will flag the possible need for an ESAt to Services Australia, who perform triaging before an ESAt takes place;
- Triaging then decides who undertakes an ESAt, where an interview by an appropriately qualified individual (e.g. allied health professionals) results in a recommendation for which program an individual should join, and assesses their weekly work capacity.

1.2. Declining DES performance has drawn attention to role of ESAts

The DES caseload has grown rapidly in recent years, while employment outcomes achieved have been soft and program efficiency has fallen. Variations in program design between DES and jobactive have attracted relatively hard-to-place individuals into DES. The 2020 Mid-term DES Review suggested:

- Eligibility for DES should be optimised, to ensure a focus on individuals who gain the most benefits compared to baseline outcomes;
- The ESAt process may also need to be adjusted, to ensure accuracy and consistency in decision-making under current selection criteria.

1.3. BCG commissioned to conduct ESAt Review with broad scope and at speed, using multiple lines of evidence

Consequently, BCG was commissioned to support the Department of Social Services in a four-week, end-to-end review of the ESAt process, spanning the initial triggering of ESAts by JSCIs, the triaging of triggered ESAts prior to assessment, the assessment process itself, and broader opportunities for change and reform. The ESAt review leveraged wide-ranging stakeholder and assessor interviews, as well as analysis of multiple-million row datasets.

Section 1.1

Two-stage entry process into employment services programs is managed through JSCIs and ESAts

jobactive, DES, and CDP are **flagship employment programs**

- Employment services programs overseen by the Commonwealth span:
 - jobactive, a large "mainstream" service
 - DES, supporting individuals whose primary barrier to employment is disability
 - CDP, offering remote area services
 - Other programs e.g. Transition to Work (TtW), ParentsNext

Program entry is **regulated by JSCIs and ESAts**

- JSCI provides initial questionnaire –based assessment
- For selected individuals, the interview-based ESAt recommends a program and assesses participant work capacity

Policy and delivery is **split between four agencies**

- DESE oversees jobactive and JSCI policy
- DSS oversees DES and ESAt policy
- NIAA oversees CDP
- Services Australia is a key delivery partner across agencies, including administering ESAts for DSS

DES, jobactive, and CDP are flagship employment support services programs



Description	"Main stream" non-remote employment services program	Specialist disability support service	"Main stream" remote employment services program
Caseload (March 20¹)	757,316 (note: approximately 1.5m following COVID-19)	280,180	32,145
Key criteria for entry	Job seekers who do not qualify for DES or CDP, in addition to other eligibility criteria	Disability as primary barrier to employment	Job seekers living in designated remote areas of Australia
Segmentation structure	Streams (determined by JSCI and ESAt) <ul style="list-style-type: none"> Stream A - most job ready, on a relative basis Stream B - some employment barriers Stream C - Non-vocational employment barriers 	<ul style="list-style-type: none"> DMS – job seekers with disability, injury or health condition who require employment assistance, not expected to need long-term workplace support ESS – job seekers with permanent disability who require long-term Ongoing Support 	No segmentation
Funding approach	Combination of duration of unemployment, stream (which incorporates JSCI), and regional loading combined with stream	Funding Levels, based on algorithmic assessment of participant characteristics and likelihood of finding a job	Service payments based on Work for the Dole (WfD) eligibility and participation in WfD activities. Employment outcome payments based 13 and 26 week achievements
Market	<ul style="list-style-type: none"> 39 providers Market caps for providers Limited participant choice 	<ul style="list-style-type: none"> 110 providers No market caps Choice of provider 	<ul style="list-style-type: none"> 46 providers in 60 regions No participant choice – only one provider in each region
Dependency on ESAts	<ul style="list-style-type: none"> Eligibility for Stream C Exemption from mutual obligations requirement Related employment programs – e.g. Transition to Work – may have ESAt dependencies Affects provider payment rates 	<ul style="list-style-type: none"> Eligibility Inform funding arrangements Work capacity assessment 	<ul style="list-style-type: none"> Eligibility Inform funding arrangements Exemption from mutual obligations requirement
Use of work capacity assessments	May determine mutual obligation hours	Affect classification of employment outcomes as either "pathway" or "full", with the latter resulting in ~3x higher payments to providers	May determine mutual obligation hours
Program spend (FY19)	~\$1,400m	~\$900m	~\$300m
Managed by...	Department of Education, Skills and Employment	Department of Social Services	National Indigenous Australians Agency

1. Note that caseloads across all programs have grown rapidly since the March quarter 2020, due to the impact of COVID-19.

Source: [CDP Regional Data Report 2018-19](#), [CDP Head Agreement](#); [DJSB Portfolio Budget Statements](#); [DSS Portfolio Additional Estimate Statements](#);

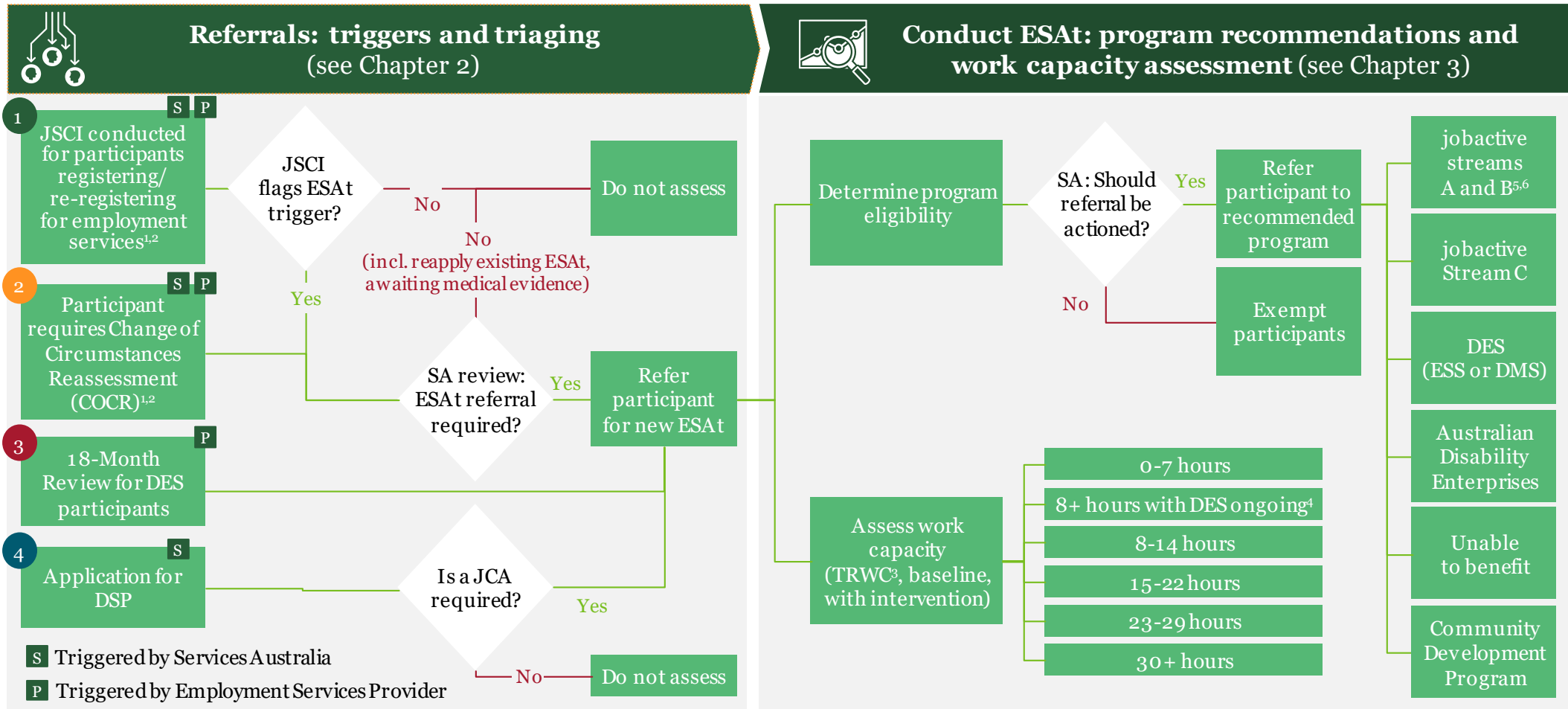
DES Mid-Term Review report; BCG analysis

Entry to DES, jobactive, and CDP is managed through JSCIs and ESAts (while JCAs manage eligibility for DSP)

	JSCI	ESAt	Job Capacity Assessment (JCA)
Description	<ul style="list-style-type: none"> Most job seekers complete the JSCI when they first register for employment assistance with Services Australia and when there is a change in their circumstances Initial assessment to determine the appropriate employment service for the job seeker (those with more complex barriers or needs may complete the JSCI as well as ESAt/JCA) 	Used to assess <ul style="list-style-type: none"> barriers to finding and maintaining employment work capacity (in hour bandwidths) interventions/assistance that may be of benefit to improve their current work capacity 	Used to determine qualification for DSP based on <ul style="list-style-type: none"> level of functional impairment current/future work capacity barriers to finding/maintaining employment JCA contains a complete ESAt
Format	Survey consisting of up to 49 questions (min. of 18 questions)	~30 minute interview, conducted by an allied health professional	~1 hour interview by phone or video conference
Performed by	<ul style="list-style-type: none"> Participant (survey) Services Australia staff or employment service provider 	<ul style="list-style-type: none"> Health or allied health professional 	<ul style="list-style-type: none"> Clinical health professional
Outputs	<ul style="list-style-type: none"> Numerical JSCI score – higher the score, the higher likelihood of remaining unemployed for at least 12 mths Recommendations for ESAt trigger, social worker trigger, language literacy and numeracy 	<ul style="list-style-type: none"> Report on identified barriers to work Estimate of work capacity, including: temporary reduced work capacity, baseline work capacity and with intervention capacity Recommendation of referral into relevant employment program and stream 	<ul style="list-style-type: none"> Outcome on qualification for receiving DSP Work capacity for Fully diagnosed, treated and stabilized conditions
# conducted per year (2019-20)	>1m	261,811	51,961
Managed by...	Department of Education, Skills and Employment	Department of Social Services	Department of Social Services

Source: [Employment Services Assessments, Services Australia](#); [Social Security Guide](#); [Job Capacity Assessment, Services Australia](#); [jobactive Assessments](#); [DESE Guideline](#)

End-to-end ESAt process spans two stages: referrals (triggers and triaging), and the assessment itself (program recommendation and work capacity assessment)



1. JSCI not required in all cases 2. Restrictions apply to provider referrals 3. Temporary Reduced Work Capacity 4. For participants who will only be able to reach 8 or more hours work a week with DES ongoing support. Applies to With Intervention work capacity only 5. Stream determined by JSCI score 5. Participant may be subsequently referred to TtW
 Source: ESAt and JSCI Instrument Overview; ESAt referral information; ANAO 'Qualifying for the Disability Support Pension'; BCG analysis

ESAts are mainly triggered through four channels

Description of ESAt triggers

- 1

Registration for employment services with JSCI trigger

- Participant undergoes a JSCI when they register or re-register for employment services
 - JSCI triggers an ESAt depending on the participant's responses to medical, special needs or personal factor questions

- 2

Change of Circumstances Review (COCR)

- Services Australia or the participant's provider may refer the participant for an ESAt if their circumstances change in a way which may influence their ESAt result
 - For example, provision of new medical evidence

- 3

DES 18-Month Review

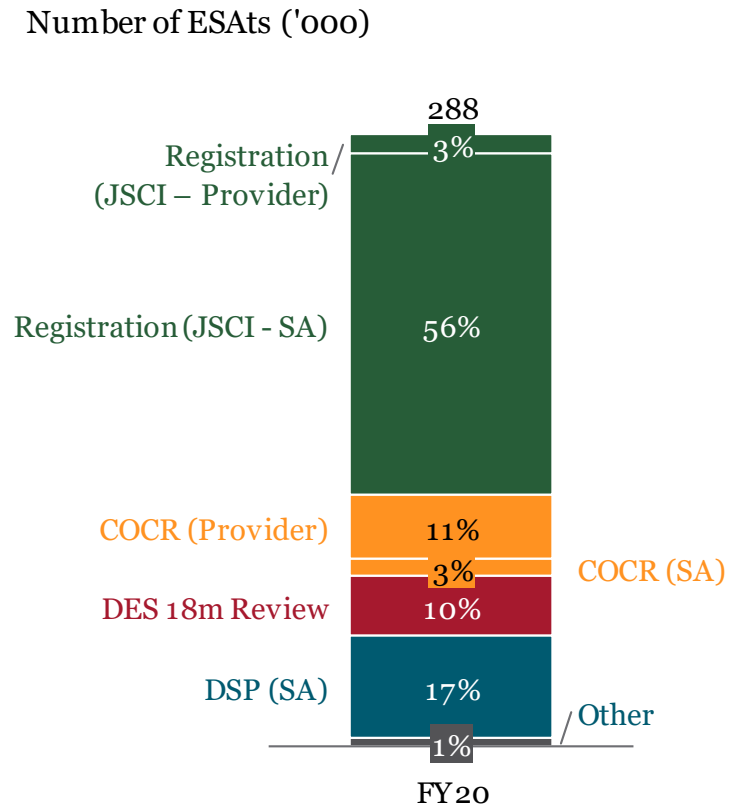
- DES participants undergo a "Program Review" after 18 months in "Employment Assistance" to determine if they will benefit from an further 6 months in DES
 - This is conduct through an ESAt, unless the participant is undertaking employment or training, or otherwise exempt

- 4

DSP application, resulting in a JCA

- Participants who apply for the Disability Support Pension, meet the non-medical claims criteria but not the manifest criteria are required to undergo a Job Capacity Assessment, which includes an ESAt

Majority of ESAts triggered by JSCIs on registration for employment services



Note: Other includes Foreign Pension, Sickness Allowance, Youth Disability Supplement and Temporary Incapacity
 Source: ESAt and JSCI Instrument Overview; ESAt referral information; DSS; BCG analysis

JSCI triggers an ESAt referral based on participant's particular medical conditions or if medical condition impacts ability to work

Current JSCI medical triggers for an ESAt

	Overall triggers	Additional detail
Medical triggers (any one of the following triggers)	Does the participant have one of the pre-listed conditions (medical, disability, addictions)?	Acquired Brain Impairment, Anxiety, Anorexia Nervosa, Bi Polar Affective Disorder (Manic Depression), Bulimia, Depression, Emotional Disturbance, Child/Adolescent, Intellectual Disability, Learning Disability, Obsessive Compulsive Disorder, Other Psychological/Psychiatric disorder, Paranoid, Personality Disorder, Phobias, Post Traumatic Stress disorder, Psychosocial Deprivation, Psychotic, Schizophrenia, Toxic Brain Injury, Traumatic Brain Injury
	Participant considers they are unable to work at least 30 hours per week	--
	Medical condition which affects the type of work a participant can do	--
	Medical condition which results in participant requiring additional support in the workplace	--

Note: Triggers only apply to disabilities that the job seeker considers will last for three months or longer, or is not sure whether they will last for this duration
Source: ESAt Triggers Document provided by DESE

JSCI triggers an ESAt referral if participant has special needs or personal factors impacting their ability to obtain employment

Current non-medical triggers for an ESAt

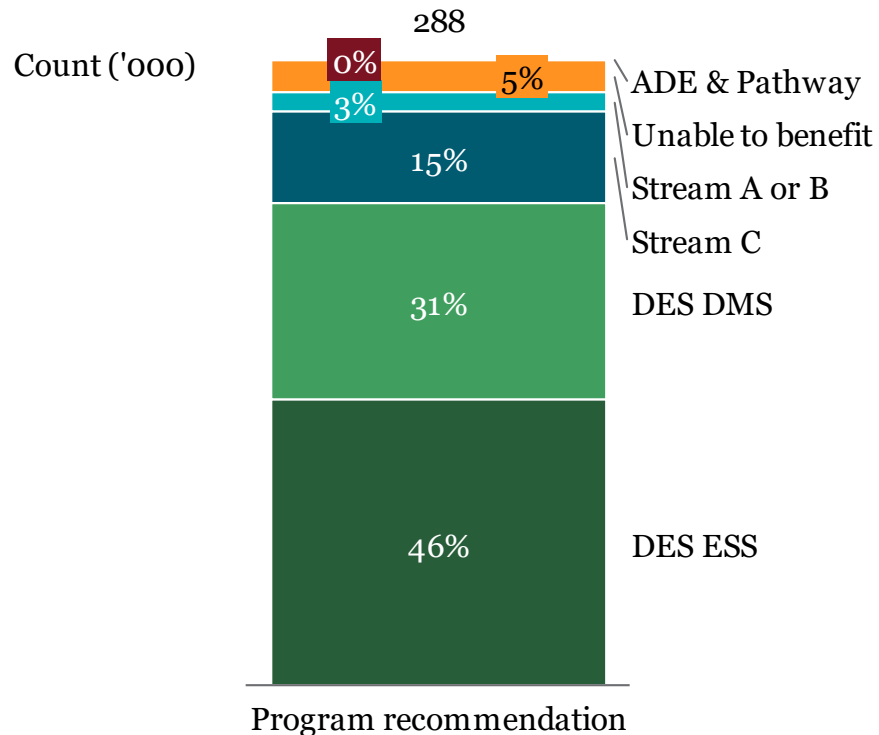
	Overall triggers	Additional detail
Special needs triggers	21 or younger and satisfies any one of the specific triggers:	<ul style="list-style-type: none"> • Sole parent • Mostly unemployed in past two years • Stability of residence (e.g. required emergency or temporary housing, moved 4+ times in the past year) • Risk of homelessness • Highest level of education is less than year 10 • Ex-offender • Indigenous • Socially isolated (parents were not regularly paid work in early teens)
	22 or older and receives any three of the specific triggers	<ul style="list-style-type: none"> • All factors listed above (excl. sole parent, indigenous, socially isolated) • Low English Language and Literacy skills
	Recent crisis payment recipient	<ul style="list-style-type: none"> • Received crisis payment in the 6 months before initial registration or annual review
Personal factors triggers	Any of the following factors	<ul style="list-style-type: none"> • Drug dependence • Personal crisis or trauma (incl. domestic violence, grief, etc.) • Vertigo • Drug treatment program • Gambling addiction • Severe stress • Anger issues/violence • Relationship breakdown • Arrived in Australia on refugee/humanitarian visa in the past 5 years

Note: "sleep problems/insomnia" or "self esteem/motivation/ presentation issues" adds to the JSCI rather than triggering an ESAt referral
 Source: ESAt Triggers Document provided by DESE

More than three-quarters of completed ESAts recommend DES, and 70 per cent are assessed as low work capacity (<23 hours/week)

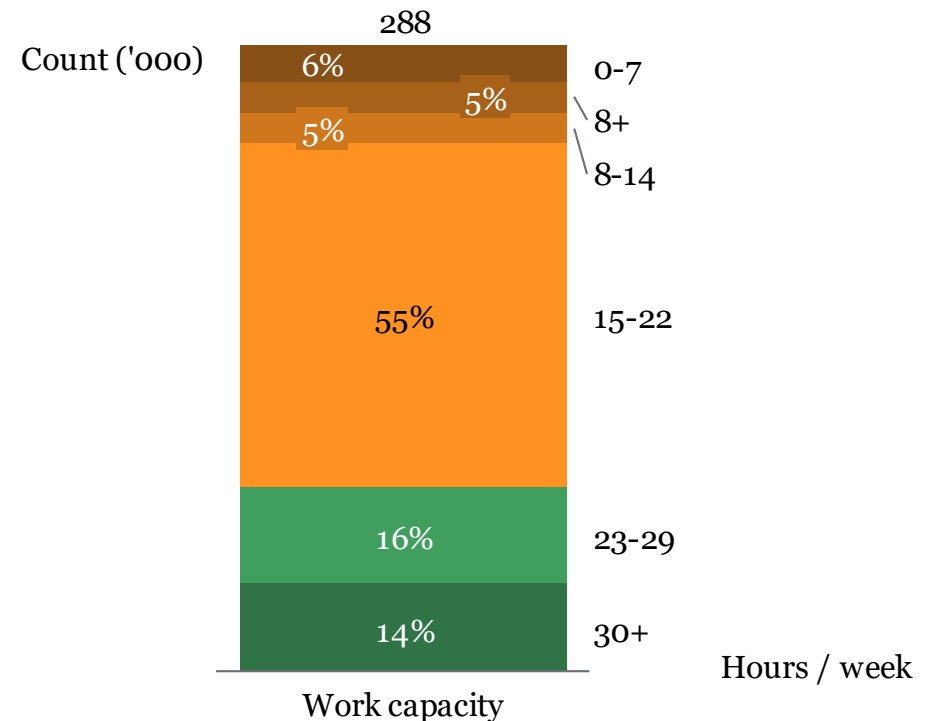
~77 per cent of completed ESAts recommend DES program for participants

Distribution of ESAt program recommendations (2019-20)



~65 per cent of completed ESAts result in work capacity assessments under 23 hours/week

Distribution of ESAt program recommendations (2019-20)



Source: DSS; BCG analysis

Accurate program recommendations are necessary not only to ensure that participants access appropriate supports, but to manage spend sustainability

Using an illustrative participant journey...

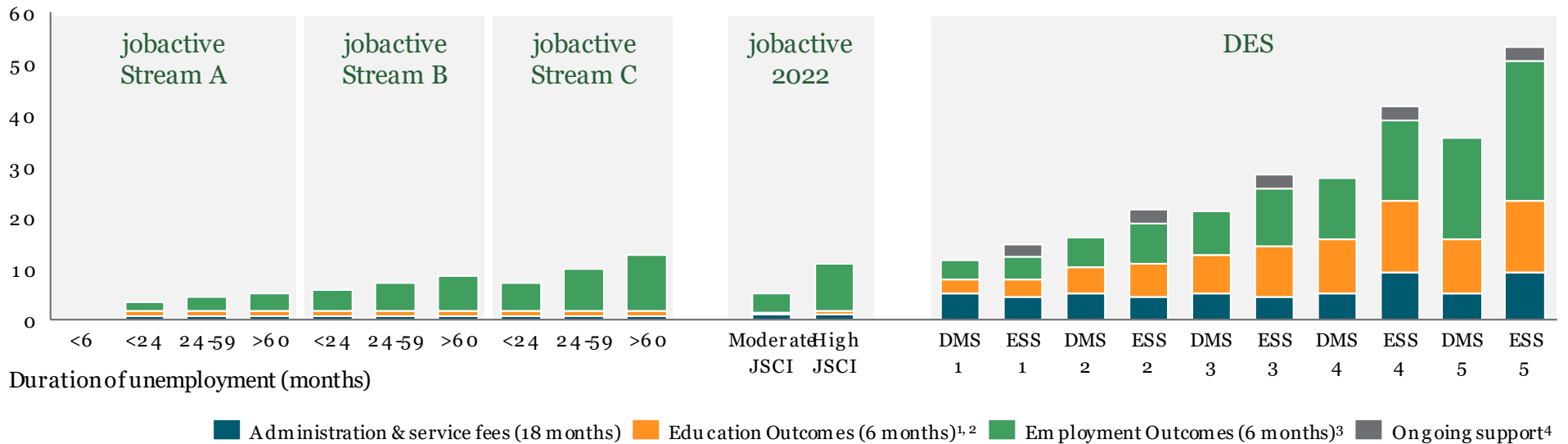
Illustrative journey includes education, employment outcomes and ongoing support



...cost of delivering employment programs varies substantially across major employment services programs

Provider payment in programs based on illustrative customer journey (\$ '000)

Illustrative



1. Eligibility for education outcomes more restricted in jobactive vs DES 2. Assumes participant re-enters DES after achieving an education outcome 3. Assumes “full outcome” payments rather than “pathway outcome” 4. Ongoing support payment based on quarterly moderate ongoing support payment (min. 6 contacts over 3 months, ESS only).

Source: DSS DES Grant Agreement 2018, DESE jobactive Deed 2015-2020

Accurate work capacity assessments are necessary to avoid the negative impacts of under- and over-estimates

Impact of underestimating or overestimating work capacity:



Participant employment outcomes



Government expenditure

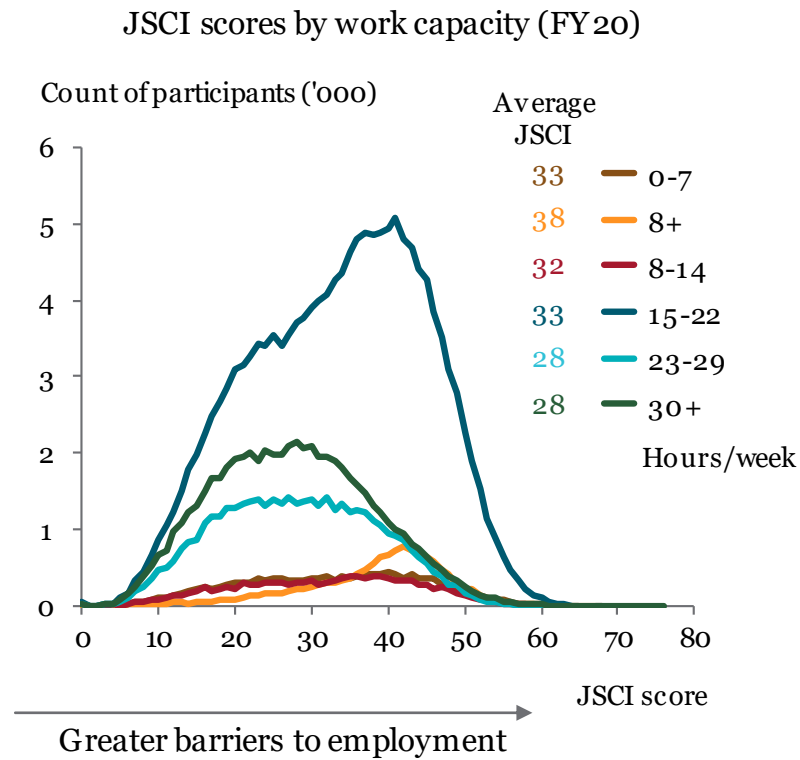
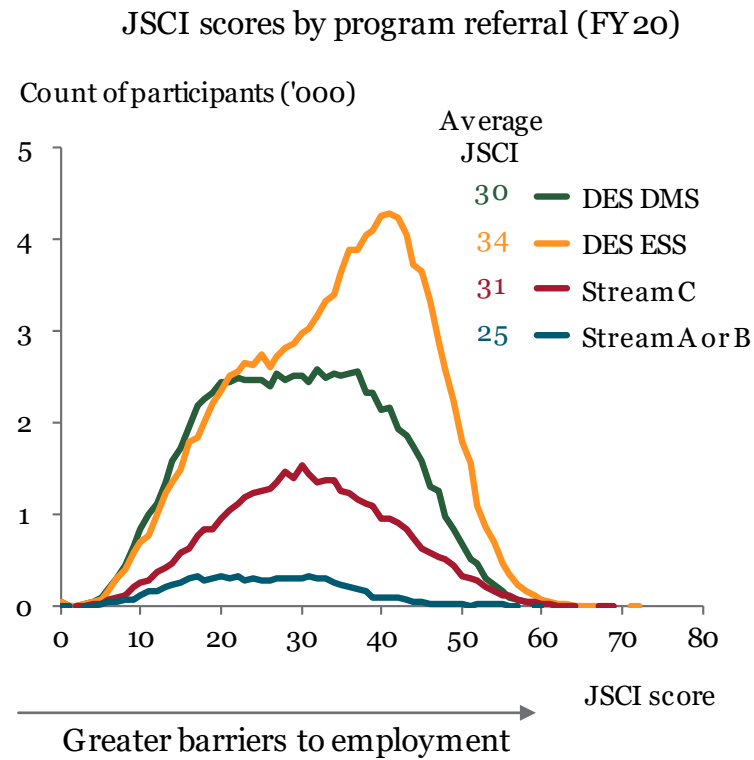


Provider economics

	Participant employment outcomes	Government expenditure	Provider economics
<p>Overestimating work capacity</p>	<ul style="list-style-type: none"> × Participant will not be able to sustain employment in the role × Provider will focus efforts on participants who can more easily meet their benchmark hours 	<ul style="list-style-type: none"> × Higher income support payments if participant is unable to gain employment 	<ul style="list-style-type: none"> × Providers less likely to receive full outcome payments (which are 3x the value of pathway outcomes), impacting sustainability
<p>Underestimating work capacity</p>	<ul style="list-style-type: none"> × Provider has less incentive to place participants into roles with greater hours 	<ul style="list-style-type: none"> × Participants more likely to remain on income support, even after achieving an employment outcome × Granting a medical exemption (via a temporary reduced work capacity) can result in participant being stuck in unemployment cycle by delaying return to work × Higher cost of paying providers for full outcomes 	<ul style="list-style-type: none"> × Providers more likely to achieve full outcome payments without justification

JSCI scores are only weakly correlated with ESAt results, illustrating how ESAts add nuance to assessments

JSCI scores overlap across program recommendations and work capacity estimates

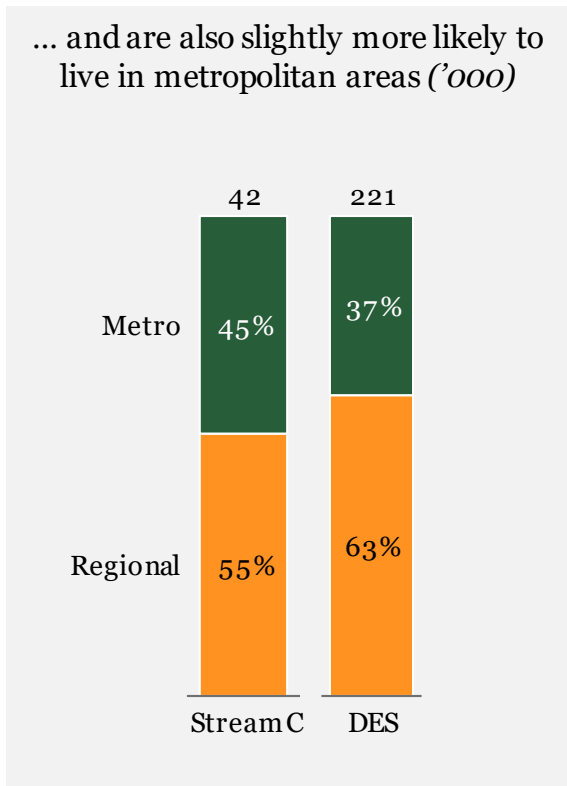
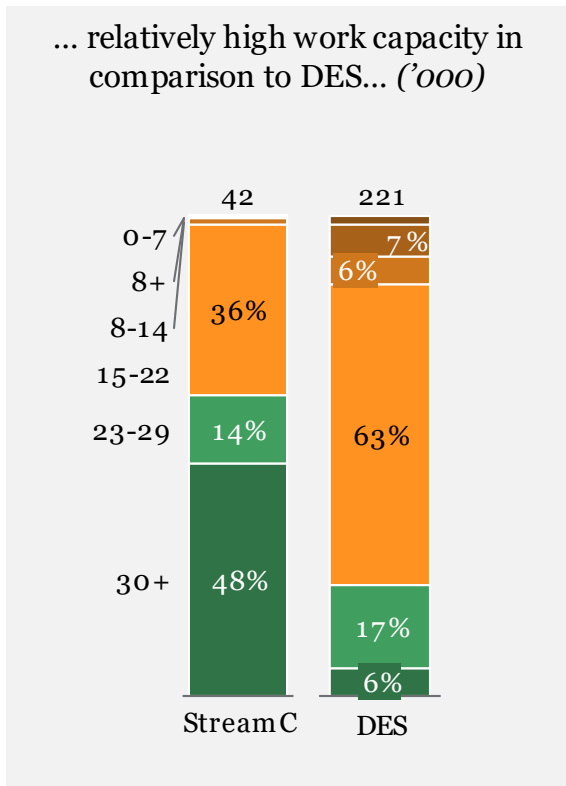
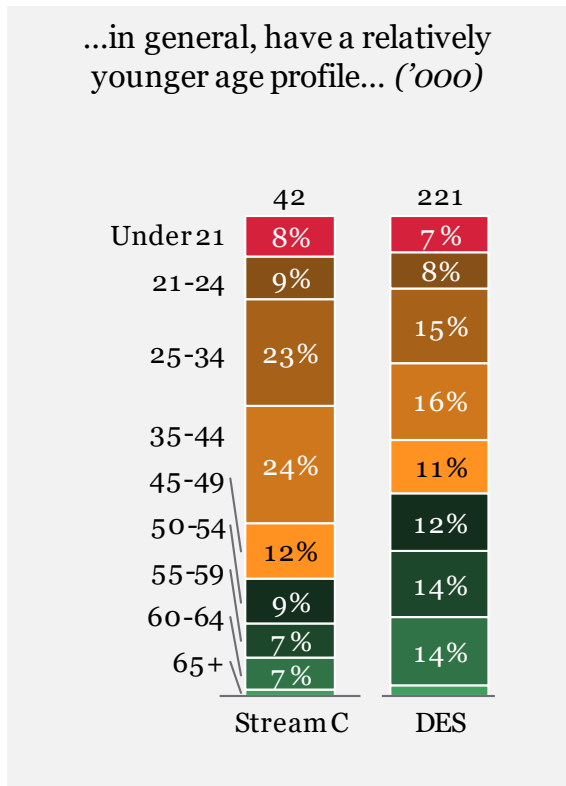
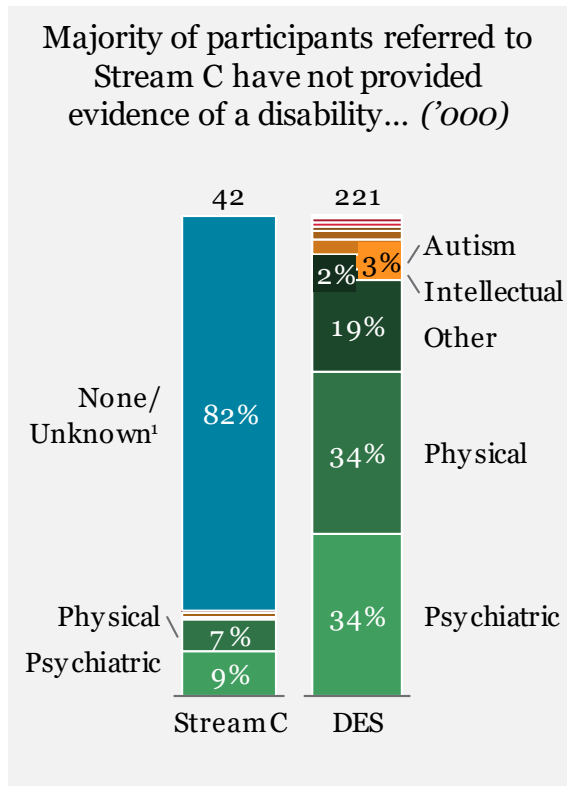


JSCI scores reflects a job seeker's **relative disadvantage** in the labour market which alone is an insufficient basis for decision-making as programs such as DES **specialise in** addressing a particular type of barrier (i.e. disability) rather than an overall disadvantage level.

Work capacity and medical conditions are also factors in the JSCI, hence higher work capacities are on average associated with lower JSCI scores

1. <23 hours/week
Source: DSS; BCG analysis

Systematic differences observed between jobactive Stream C and DES participants



1. At the time of referral no primary disability was recorded with supporting evidence.
 Note: For 2019-20. Assumes NA work capacity to be 30+. 8+ work capacity category is for DSP participants. Unknown geography refers to sensitive individuals that do not have their postcode disclosed. Characteristics of referred participants may not entirely equate with actual participants on the program.
 Source: DSS; BCG analysis

Section 1.2

Declining DES performance and rising costs has drawn attention to role of ESAts

- Following the 2018 reforms, **DES caseload grew substantially**, but employment outcome growth has been soft, resulting in **declining overall efficiency**
- **Changes in incentives for providers and participants** have encouraged caseload growth, particularly for volunteers and former jobactive participants
- In recent years, ESAts are:
 - Increasingly **provider-initiated**
 - More likely to **recommend individuals towards DES**, rather than jobactive Stream C
 - Tend to give **lower assessments of work capacity**
- **The relatively high expense of DES, the importance of accurate work capacity assessments**, and the criticality of ensuring DES is targeted towards **those who benefit the most**, all emphasise the importance of **ensuring ESAts are operating effectively**

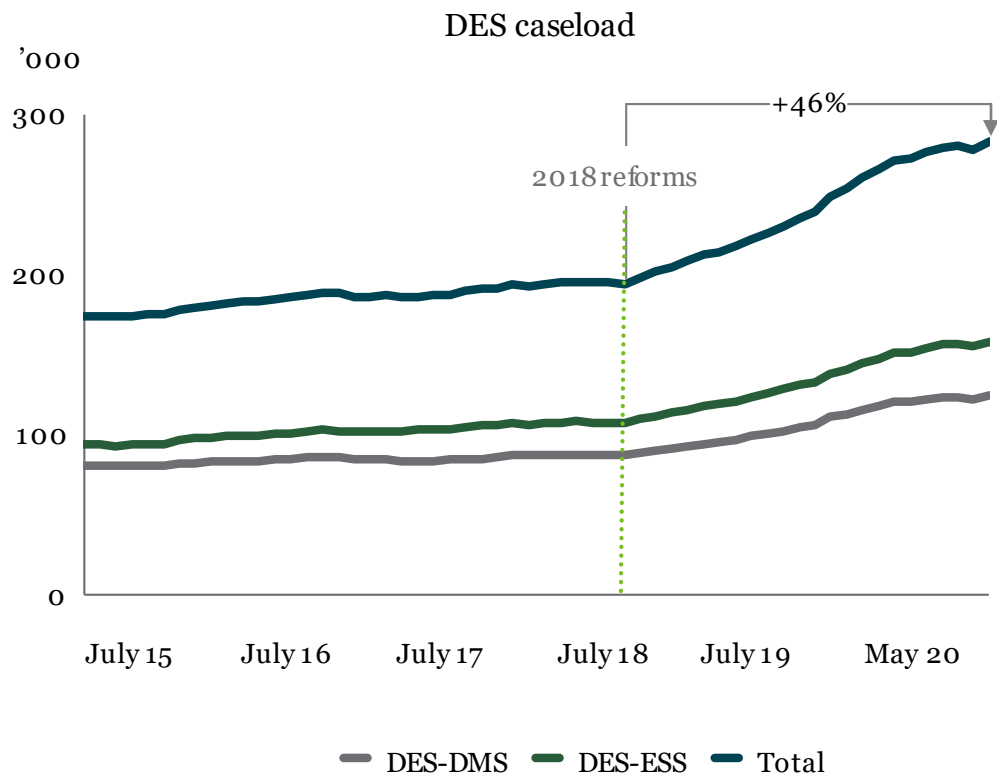
The 2018 DES reforms expanded eligibility for education outcomes and supported participant choice

Six major planks to 2018 reforms:

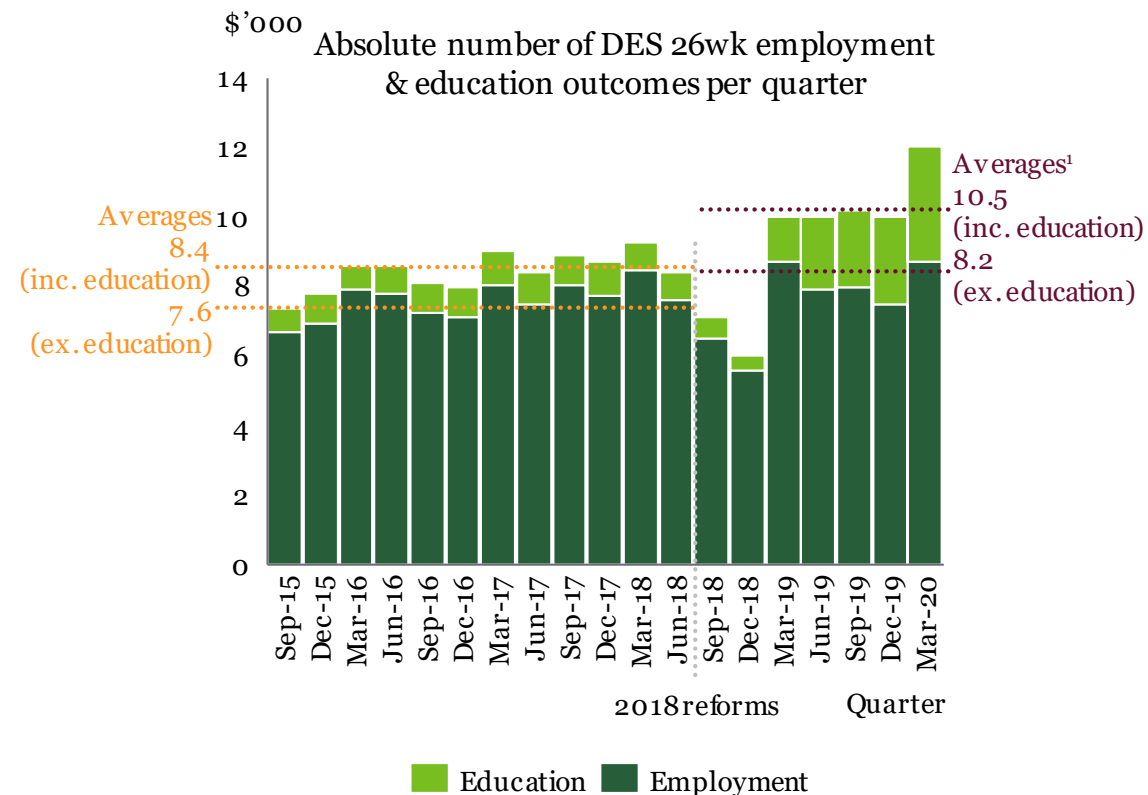
- 1 **Expanded access to education outcomes.** Fees paid to providers increased substantially, as well as participant eligibility.
- 2 **Increased competition and contestability.** Removal of market share caps for DES providers.
- 3 **Increased participant choice.** Allowing participants to change providers up to five times during their time in the program, without prerequisites.
- 4 **Introduced a risk-adjusted funding model.** Splitting funding tiers into five levels across both ESS and DMS participants, with funding based on actuarially-assessed difficulty of placement.
- 5 **Rebalanced fees towards outcomes and away from services.** Adjusting fee rates to move towards 50-50 service-outcome split, rather than 60-40.
- 6 **Encouraged longer-term employment placements.** Among other changes, introduction of 52-week employment outcome fees, elimination of "placement" fees in favour of 4-week outcome fees.

DES showed rapid caseload growth post-reforms, despite relatively flat employment achievement

Caseload has grown by 46 per cent following the reforms



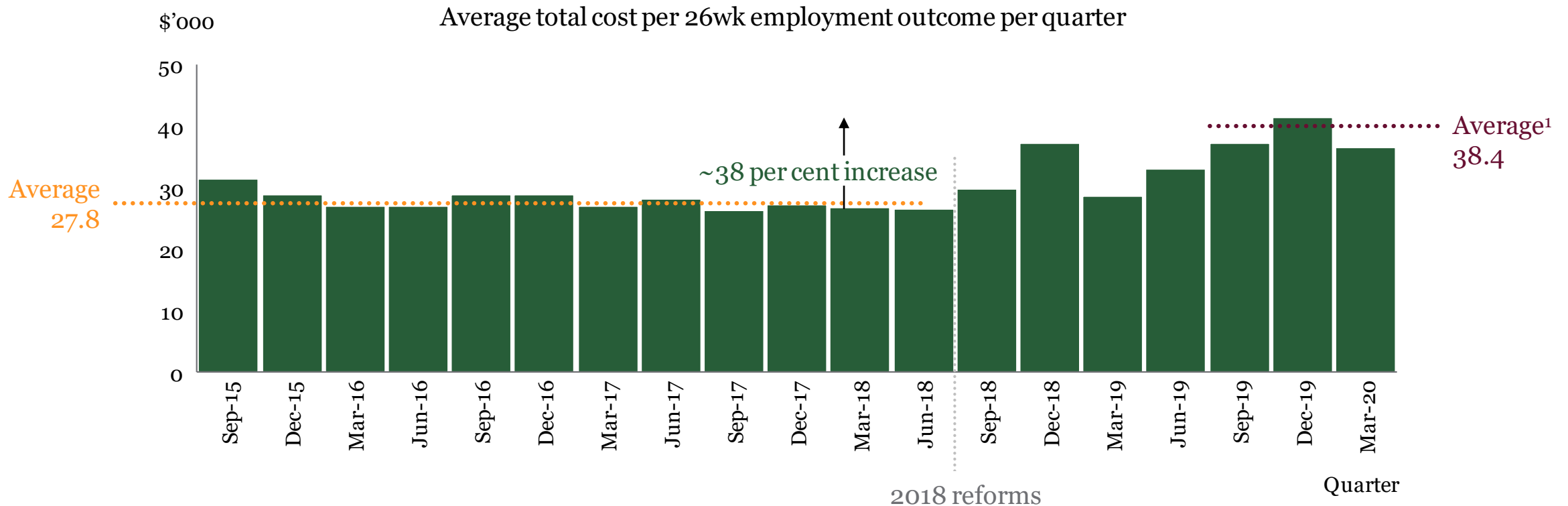
The number of employment outcomes achieved per quarter has been broadly flat



Note: Includes participants who are commenced, suspended, and referred but not yet commenced. 1. Excludes Sep-18 and Dec-18 quarters in weighted average calculation
 Source: DSS; BCG analysis

Consequently, DES efficiency (measured by average costs per employment outcome achieved) has declined

Average spend per 26wk employment outcomes is ~38 per cent higher, on average, post reforms

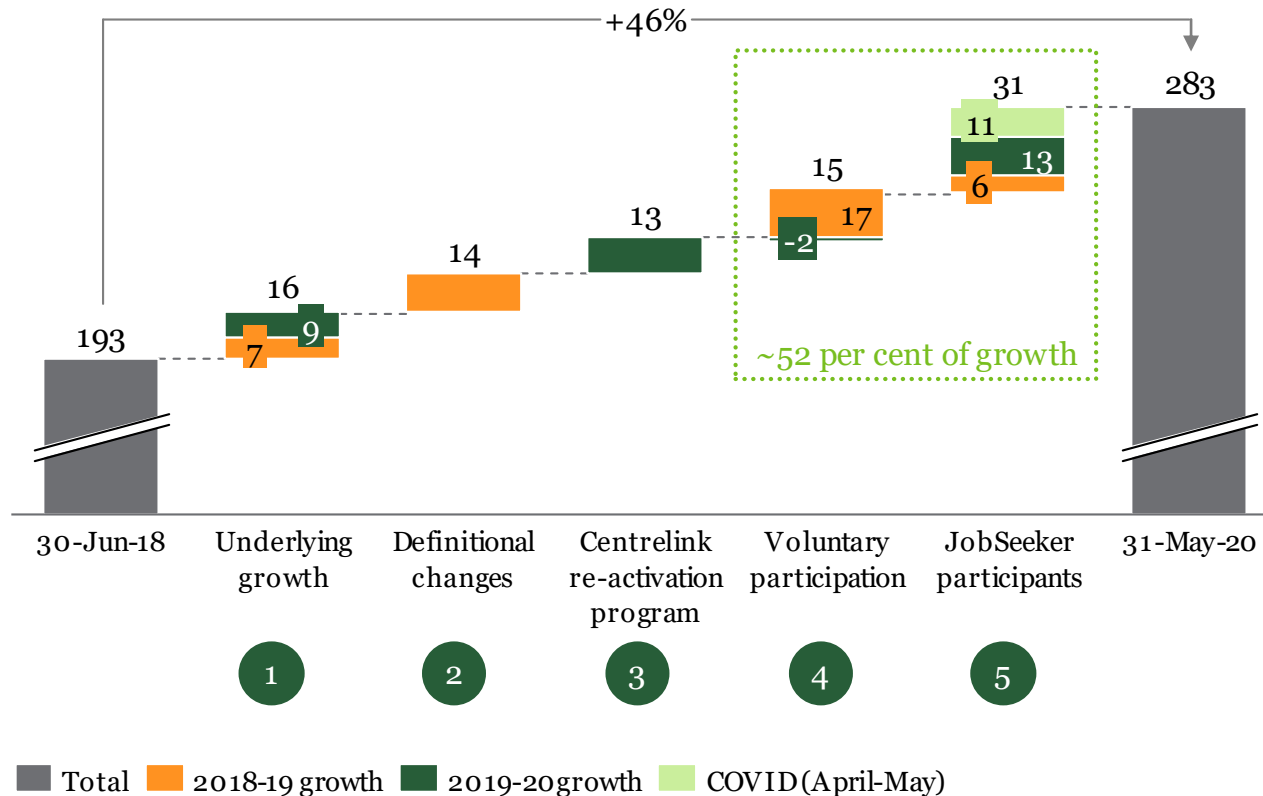


1. Excludes Sep-18 to Jun-19 quarters in average, due to understatement of total costs as a result of funding level issues (~\$20m was refunded to providers, timing not recorded in available dataset).

Source: DSS; BCG analysis

Approximately half of DES caseload increase driven by JobSeeker participants and volunteers

DES total caseload ('000)



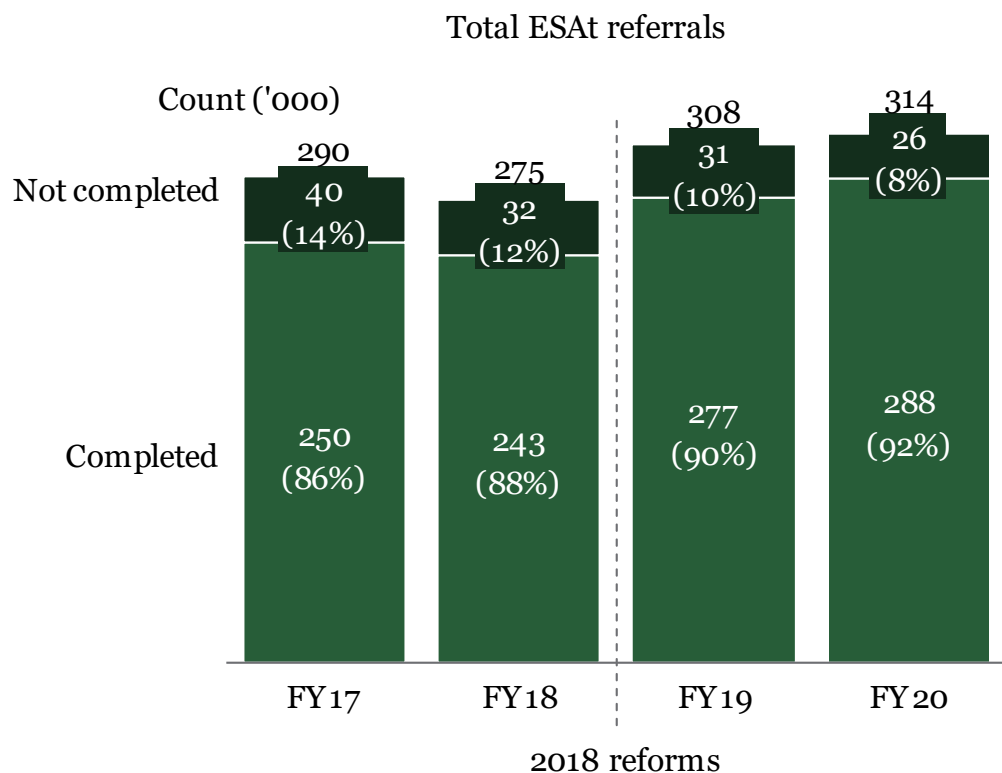
Reason for growth:

- 1 **Underlying growth** of DES of 3.8 per cent p.a. from 2014-15 to 2017-18
- 2 **Definitional changes** due to the introduction of 52 week outcomes resulting on participants staying on caseload for longer
- 3 One-off **Centrelink re-activation program** for participants with mutual obligations who were inactive due to system faults
- 4 Higher **voluntary participation**, due to provider behavior after removal of market share caps
- 5 High growth in **JobSeeker participants**, not accounted for by other factors including +11k in the COVID-19 period

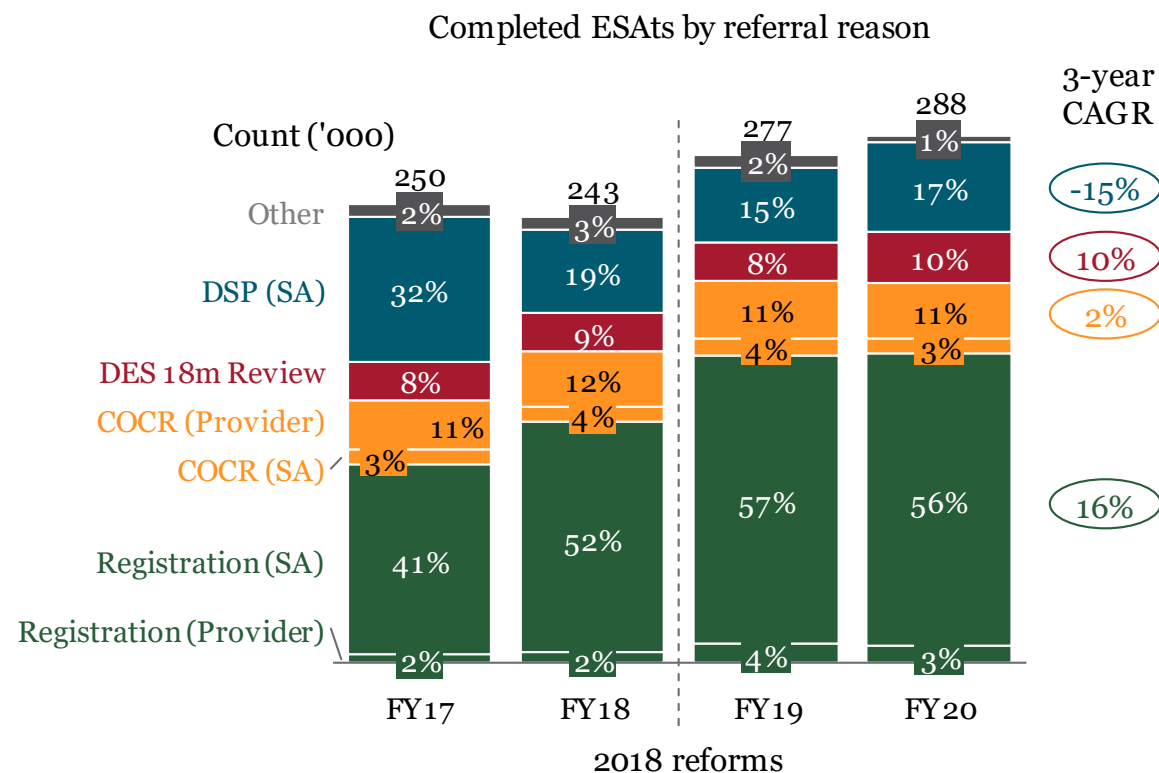
Notes: Figures are for total caseload, including suspensions
Source: DSS; BCG analysis, EY DES Caseload and Cost Analysis

Bulk of ESAt growth due to new registrations from the introduction of pre-vetting, along with increased use of telephone-based interviews

Increased use of telephone interviews has raised the ESAt completion rate



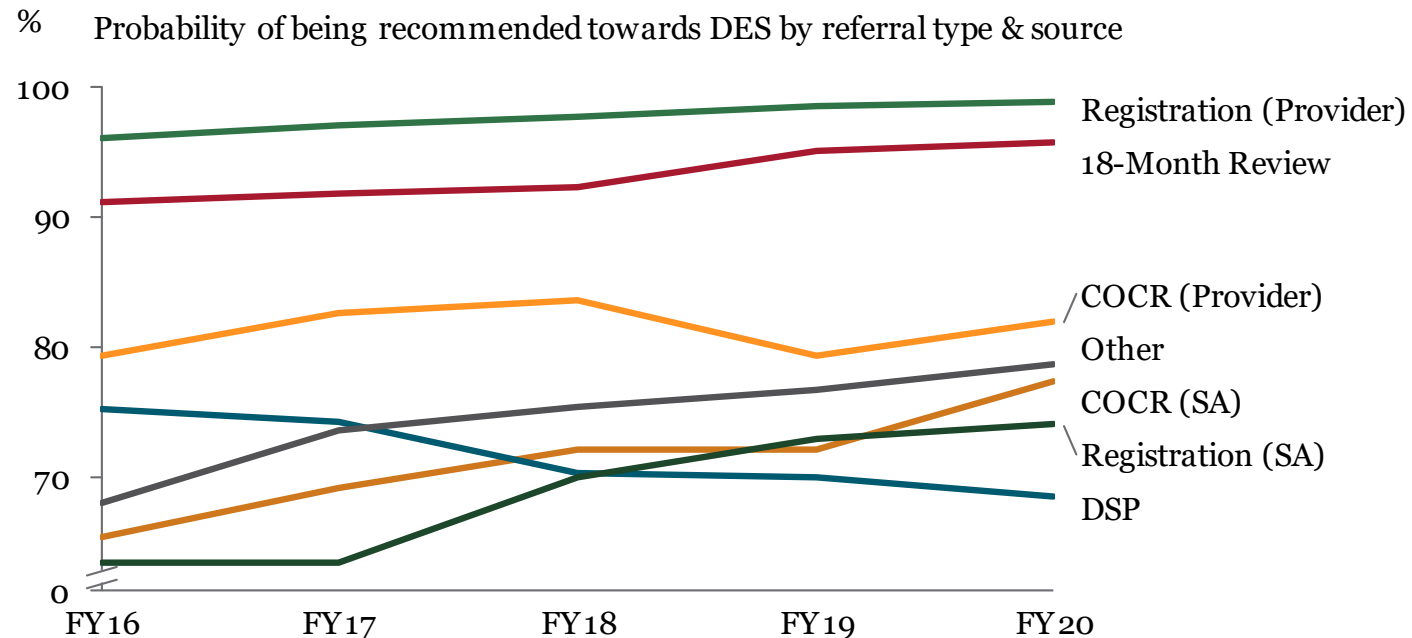
Pre-vetting services for DSP claims in mid-2017 caused ineligible DSP individuals to take the ESAt instead



Note: The most common reason for an ESAt not being completed is participant failure to attend the interview.
Source: DSS; BCG analysis

Majority of referral types are increasingly likely to recommend participants towards DES

Overall upward trend in DES recommendations across referral sources



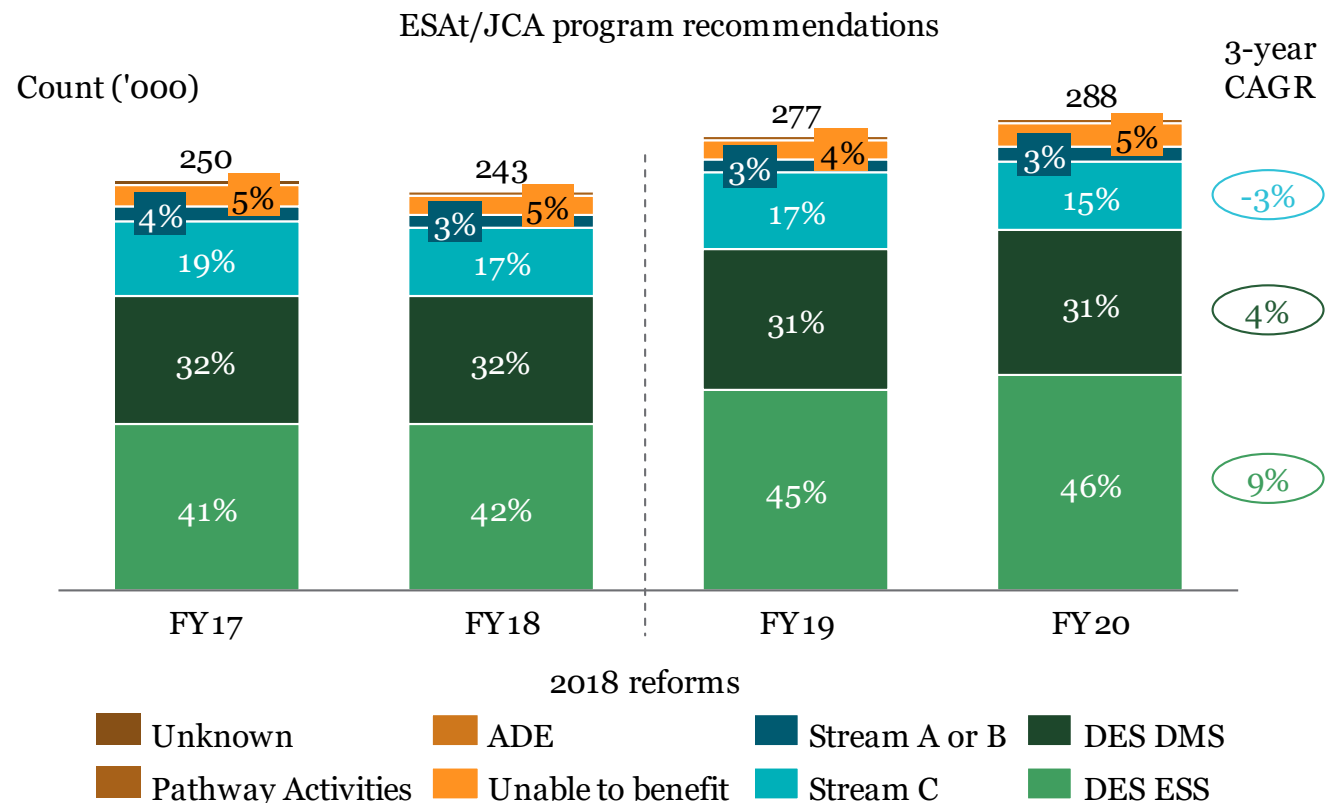
New registrations, COCR and DES 18-Month Reviews ESAts have **increased in both absolute numbers** (as per previous slide) as well as **likelihood of recommending DES**

Both factors are associated with increasing DES caseload

Note: All DSP referrals reasons require a JCA, which inherently includes an ESA t. The majority of DSP referrals are for new DSP claims although there is a minority of DSP Medical Review, DSP Appeal referrals etc, which have all been discontinued and slowly phased out
Source: DSS; BCG analysis

ESAts are increasingly likely to recommend participants towards DES ESS, which offers Ongoing Support and has higher outcome fees

DES ESS program recommendations are by far the fastest-growing category



Increase in DES ESS recommendations is driven by both the increase in **volunteers (often DSP recipients)** and individuals who have been rejected from DSP but have **some form of long-term disability**

The importance of accurate program recommendations and work capacity assessments underscores the importance of ensuring effective ESAt operations

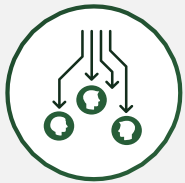
- Program recommendations need to balance both **ensuring appropriate supports are available**, with **maximising the impact of the Commonwealth's limited resources**
- Important to ensure that both...
 - Individuals who face disability as the primary barrier to employment are **able to gain access to DES**
 - Individuals **better served by other programs** are streamed appropriately
- Note that DES is **multiple times higher in cost**, on average, per participant than jobactive Stream C
- Context of rapidly rising caseload raises importance of ensuring ESAt process is operating effectively
- Consequently in mid-2020 the Department of Social Services commissioned an end-to-end review of ESAts

Section 1.3

BCG engaged to conduct ESAt Review with broad scope and at speed, using multiple lines of evidence

- ESAt Review **scope** spanned four questions:
 1. Is the ESAt referral process functioning effectively?
 2. Do ESAts make accurate and consistent decisions, for both program recommendations and work capacity assessments?
 3. What broader changes to ESAt context and oversight should be investigated?
 4. What are the restrictions to and implications of changes, and what is the possible timeline and pathway of reform?
- Review **timeline** covered four weeks, from July to August 2020
- BCG worked with DSS to deploy multiple **methodologies**
 - ESAt Review completed as an extension to BCG's support of the 2020 DES Mid-term Review
 - BCG deployed an expert team, conducting interviews with both stakeholders and operational staff, and analysing multiple-million row datasets

The scope of the ESAt review spanned four issues, covering the end-to-end ESAt process and the opportunities for future change and reform



Chapter 2: Is the ESAt referral process functioning effectively?



Chapter 3: Do ESAts make accurate and consistent decisions, for both program recommendations and work capacity assessments?



Chapter 4: What broader changes to ESAt context and oversight should be investigated?



Chapter 5: What are the restrictions to and implications of changes, and what is the possible timeline and pathway of reform?

BCG partnered with DSS to deliver the ESAt Review, deploying a combination of qualitative and quantitative methodologies

- Leveraging the team that conducted the 2020 DES Mid-term Review, BCG deployed a mix of expert economists, policy analysts, and quantitative researchers
- Delivery of the ESAt Review encompassed:
 - Engagement with Commonwealth stakeholders across the Departments of Social Services, Education, Skills and Employment, Prime Minister and Cabinet, and Services Australia, as well as with Comcare
 - A series of interviews and observation sessions conducted with operational staff:
 - Interviews with 6 ESAt assessors
 - Observation of 11 ESAts
 - Interviews with 1 JSCI assessor
 - Combined analysis of multiple data sources:
 - Historical data on ~1.3m ESAts conducted over the five years spanning 2015-16 to 2019-20
 - Historical data on activity and outcomes for DES participants over the same period, spanning over 1m rows
 - Profiles of ESAt assessors
 - Aggregated data on JSCI participants, completion rates, and triggers

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Chapter 2 summary: Referrals (triggers and triaging)

ESAts are mainly triggered for four reasons:

1. A participant registering for employment services;
2. A change of circumstances review requiring an ESAt being initiated by a provider or Services Australia;
3. Reviews for DES participants that occur after 18 months participation;
4. Applications for DSP ¹.

The JSCI triggers for an ESAt appear to be functioning well, with opportunities for some relatively minor refinements:

- Update the pre-listed medical conditions which automatically trigger an ESAt referrals, informed by the likelihood of achieving a useful ESAt outcome;
- Ensure changes to the JSCI being designed as part of the new jobactive model consider the impact on ESAt referrals. This should include consultation with Services Australia, DSS and the NIAA.

While the ESAt change of circumstances review mechanism results in change in outcome for the participant 48 per cent of the time, there is opportunity ensure these reviews are more targeted. It is recommended that Services Australia increase the reviews of provider-initiated COCR and clarify the appropriate reasons for a COCR.

However, the DES 18-Month Review is a pain point for multiple stakeholders while offering low benefits. It is recommended that 18-Month Review is removed, noting this requires Government approval and provider consent. This would allow assessor work effort to be re-prioritised on higher value tasks and reduce ESAt waiting times.

Section 2.2: ESAt triaging

After an ESAt is triggered by the JSCI, Services Australia conducts a triaging process prior to the ESAt being carried out. This triaging has historically been conducted manually and involved triaging during the participation interview. However, this process has recently changed due to the introduction of the online JSCI ("Job Seeker Snapshot") and process automation by a tool called "Screeni Bot". While BCG not reviewed the operations of this tool, there are clear benefits to automation as a general principle, and Screeni Bot appears to have been welcomed by Services Australia staff.

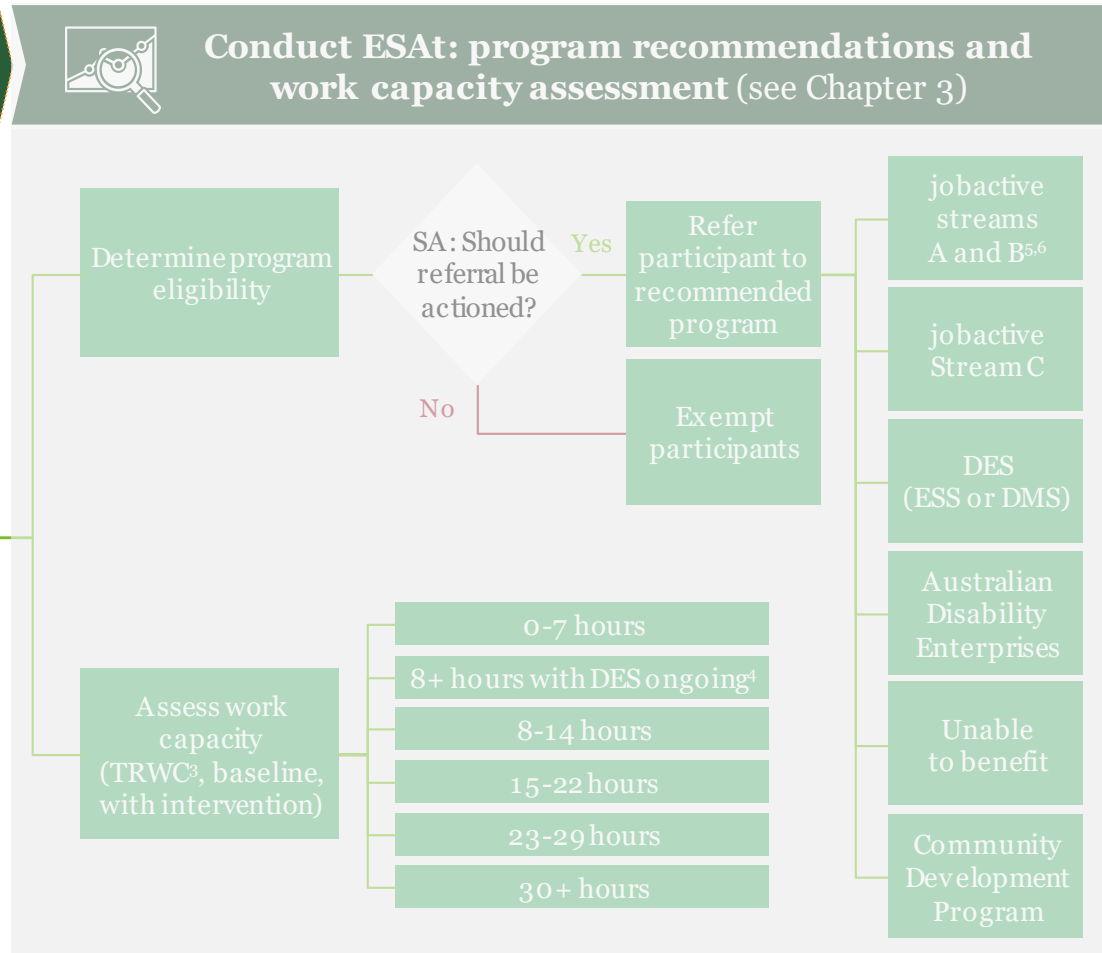
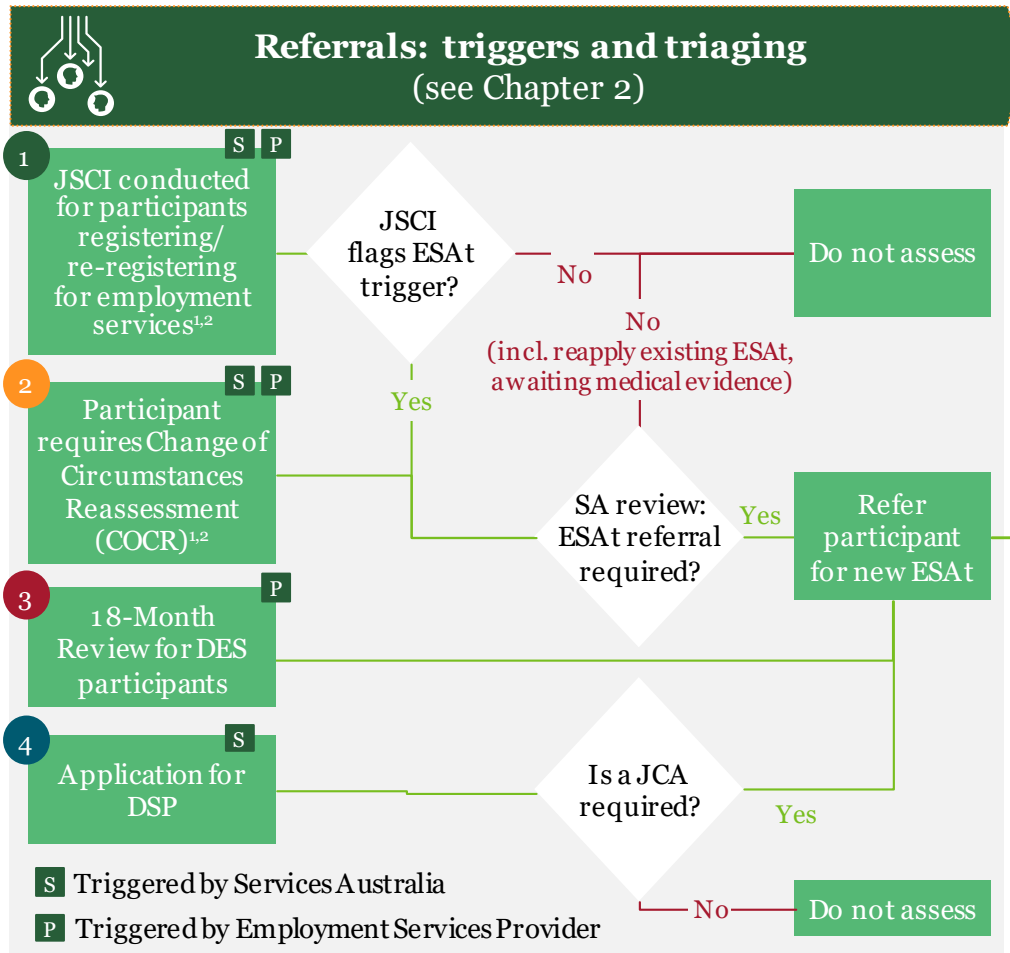
Recommendations to improve the triaging process include:

- Continue improving the accuracy and efficiency of ESAt referrals triggered by the online JSCI. This could include adding new questions to the JSCI, or an alternative screening process;
- Ensure the "Screeni Bot" automation is effective and integrates well within current operations (including passing Business Verification Testing). This should include ongoing auditing and recalibration;
- As already planned by Services Australia, continue to build out complementary automations for ESAt booking and report writing

¹. DSP application triggers are not considered in detail as part of this review
Source: BCG analysis

Chapter 2: ESAt triggers and triaging

Current section



1. JSCI not required in all cases 2. Restrictions apply to provider referrals 3. Temporary Reduced Work Capacity 4. For participants who will only be able to reach 8 or more hours work a week with DES ongoing support. Applies to With Intervention work capacity only 5. Stream determined by JSCI score 5. Participant may be subsequently referred to TtW
 Source: ESAt and JSCI Instrument Overview; ESAt referral information; ANAO 'Qualifying for the Disability Support Pension'; BCG analysis

Section 2.1

ESAt triggers



Observations

ESAt triggers appear to function effectively, however the DES 18-Month Review has limited benefit

- JSCI medical condition triggers for an ESAt appear appropriate, however there is an opportunity to make minor updates to the conditions which are pre-listed as ESAt triggers
- DESE is re-designing the JSCI as part of the new jobactive model being introduced on 1 July 2022
- Change of Circumstances Review ESAts change program recommendation or work capacity 48 per cent of the time
- DES 18-Month Review provides limited value, creates ~\$4m in cost and workload for assessment services, and negatively impacts participant experience



Recommendations

1. Ensure changes to the JSCI as part of the new jobactive model consider the impact on ESAt referrals through consultation between DESE, Services Australia, DSS and the NIAA
2. Update the pre-listed medical conditions which automatically trigger an ESAt referrals through the JSCI, informed by the likelihood of achieving a useful ESAt outcome
3. Increase reviews of provider initiated change of circumstances and clarify when to initiate a COCR review (e.g. new medical evidence should only be actioned if it is likely to change work capacity or required supports)
4. Remove the DES 18-Month Review (with Government and provider consent). Alternatively, conduct 18-Month Reviews as file assessments

Recap: ESAt are triggered by four main factors

Scope of this review

- 1 Registration for employment services with JSCI trigger
- 2 Change of Circumstances Review (COCR)
- 3 DES 18-Month Review
- 4 DSP application, resulting in a JCA¹

1. JCA and DSP application process are not covered in the scope of this review
Source: ESAt and JSCI Instrument Overview; ESAt referral information; BCG analysis

DESE's review of ESAt triggers found opportunity to refine the list of medical condition triggers

Key findings from the ESAt Trigger Review

- 21 triggers are likely to result in ESAt and a useful outcome
- 12 triggers are unlikely to result in ESAt nor a useful outcome
- 4 triggers are likely to result in ESAt but unlikely to get a useful outcome
- 70 medical conditions which are not triggers but are likely to contribute in getting useful outcome from an ESAt



Estimated Impact of Changing ESAt Triggers in JSCI

Impact of potential actions	Impact on	
	ESAt numbers	Placement
01 Adding 70 more medical conditions as triggers	31% increase	Increased flow to DES ¹
02 Removing 16 current triggers	9% decrease	Imperceptible change
03 1 and 2 together	23% increase	Increased flow to DES ¹

1. Due to expected placement of job seekers with one or more of the 70 medical conditions
 Note: Definition of "Useful" ESAt Outcome includes if the job seeker was referred to jobactive Stream C, DES or another program; or a recommendation for a reduction in the job seeker's work capacity was made; or workplace support requirements were identified; or assessment of personal circumstances lead to identification of some impact on employment
 Source: DESE ESAt Review

Change of Circumstances Review ESAts change program recommendation or work capacity 48 per cent of the time

13 per cent
of all ESAts

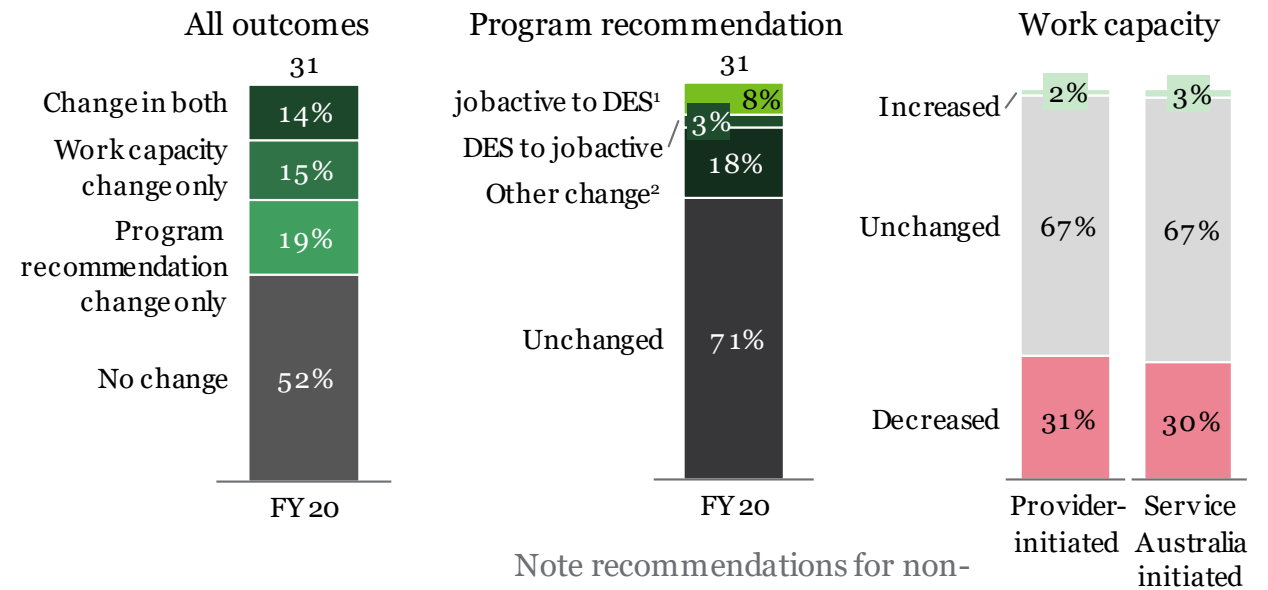
COCR ESAts are a material proportion of all ESAts

80 per cent
provider initiated

Providers initiate majority of COCR ESAts

COCR ESAts predominantly change program recommendation or work capacity in 48 per cent of assessments

Results of COCR ESAts, 2019-20 ('000)



Note recommendations for non-DES programs are not binding (see Section 3.3)

1. Approximately 4295 Stream C participants sent for a COCR, 54 per cent (i.e. 2,311) resulted in a DES recommendation. 2. Other change includes changes involving outcomes such as unable to benefit, pathway activities or ADE
Source: DSS; BCG analysis

Recommend ongoing monitoring of COCR ESAts



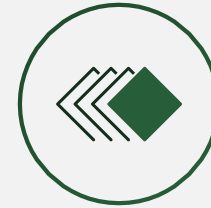
Clarify when to initiate COCR

For example, emphasise new medical evidence should only be actioned if it is likely to change required supports or work capacity



Increase reviews of provider COCRs

Provide feedback to providers with high COCR ESAt referrals and low probability of changes



Services Australia review prior to ESAt

Services Australia officers review requests prior to ESAt being conducted



Charge providers for COCR ESAts

Charge providers for any ESAts which don't result in a change in program referral or work capacity

Recommended options

Recommend ongoing monitoring of COCR ESAts

Selected options to manage change of circumstances ESAts

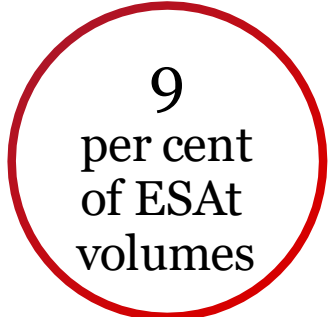
	Clarify when to initiate COCR	Increase reviews of provider COCRs	Services Australia review prior to ESAt	Charge providers for COCR ESAts
Description	<ul style="list-style-type: none"> For example, emphasise new medical evidence should only be actioned if it is likely to change required supports or work capacity 	<ul style="list-style-type: none"> Identify and provide feedback to providers who are referring high volumes of COCR ESAts, but a low probability of changes occurring based on these assessments 	<ul style="list-style-type: none"> Services Australia officers review requests prior to ESAt being conducted, similar to current triaging process 	<ul style="list-style-type: none"> Charge providers for any ESAts which don't result in a change in program referral or work capacity
Benefits	<ul style="list-style-type: none"> Services Australia still able to audit if COCR ESAts dramatically increase 	<ul style="list-style-type: none"> May reduce volume of assessments 	<ul style="list-style-type: none"> May reduce ESAt volumes 	<ul style="list-style-type: none"> Provides very strong deterrent to additional ESAts
Drawbacks	<ul style="list-style-type: none"> Likely to have a smaller impact 	<ul style="list-style-type: none"> Limited means to penalise providers for unwarranted ESAts Requires analytics effort, potentially IT build 	<ul style="list-style-type: none"> Creates workload for Services Australia officers (but not ESAt assessors) 	<ul style="list-style-type: none"> Providers unlikely to agree May lead to participants not being well supported
Implemented within current framework	<ul style="list-style-type: none"> No change to current DES Grant Agreement 	<ul style="list-style-type: none"> No change to current DES Grant Agreement 	<ul style="list-style-type: none"> No change to current DES Grant Agreement 	<ul style="list-style-type: none"> Requires change to DES and jobactive Grant Agreement
Overall recommendation	<ul style="list-style-type: none"> Viable option 	<ul style="list-style-type: none"> Viable option 	<ul style="list-style-type: none"> Viable option 	<ul style="list-style-type: none"> Not recommended

Recommended

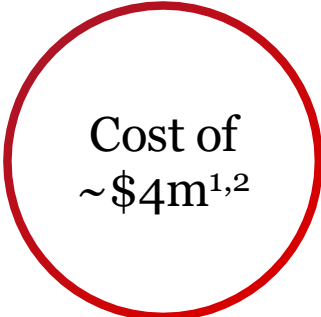
Source: BCG analysis

DES 18-Month Reviews provide little benefit, but cost ~\$4m and disrupt the participant's employment journey

DES 18-Month Reviews drive workload, cost and detract from participant experience



Increases assessment volumes by 25k ESAts per year

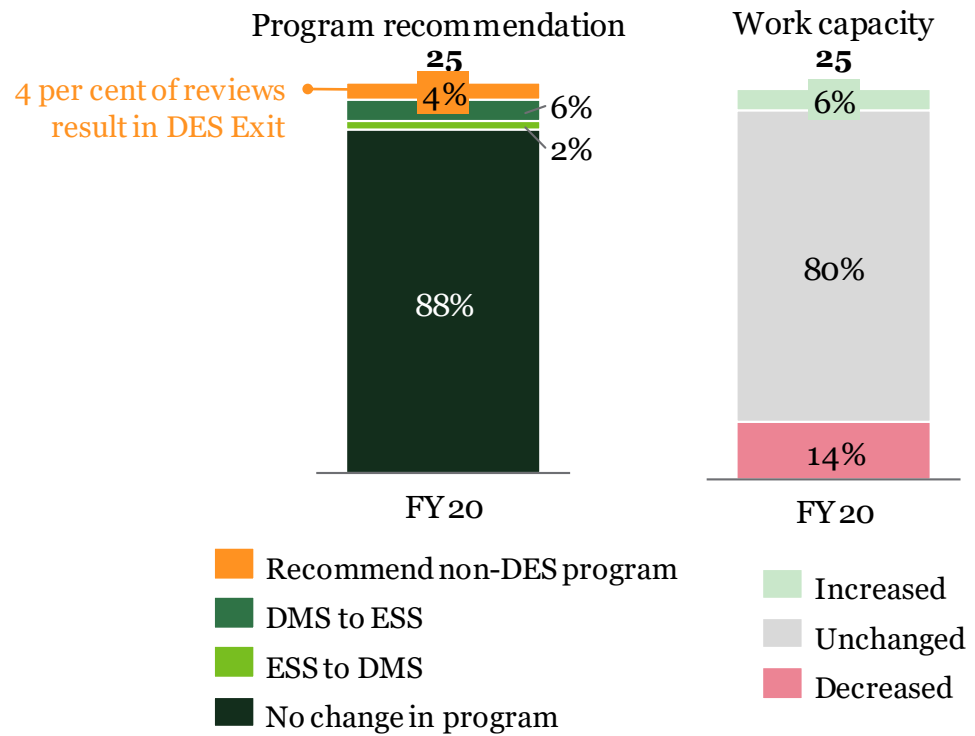


Additional annual expenditure on ESAts



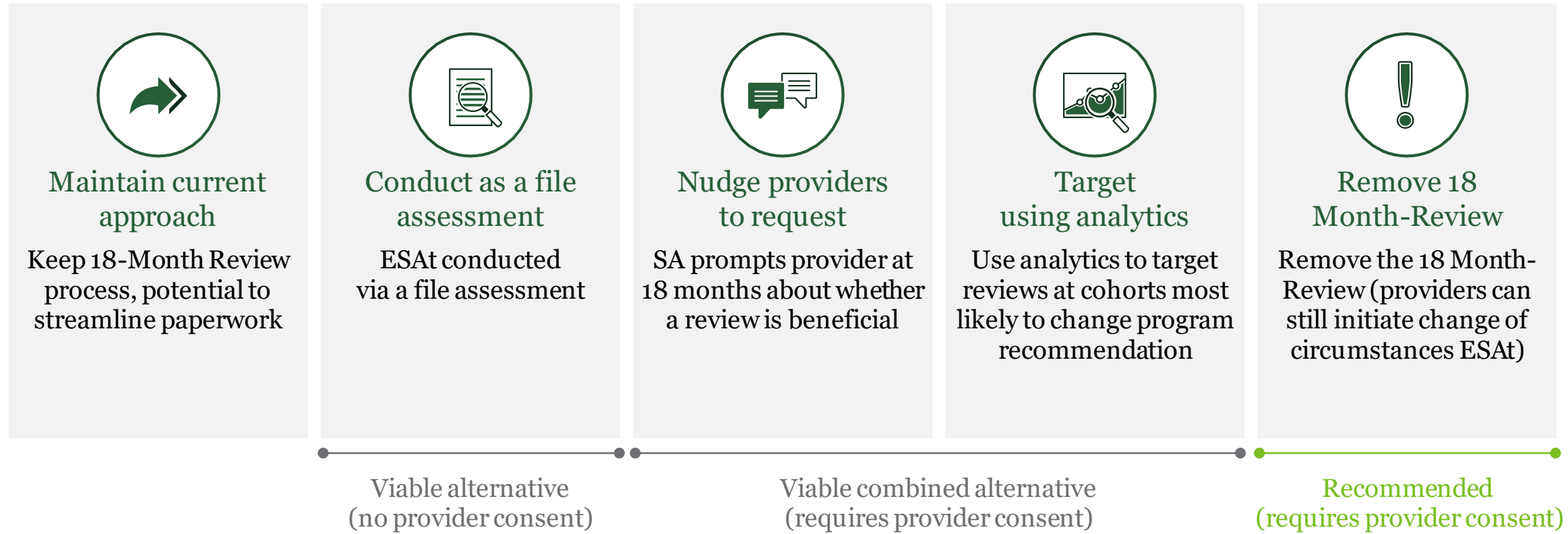
Disrupts employment services journey, stopping provider payments and support if ESAt not conducted before 18 months

In recent years, 4 per cent of 18-Month Reviews result in exit from DES
18-Month Review ESAts ('000)³



1. Assumes 18m Review ESAts require 70% of the effort of a standard medical ESAt 2. Assumes \$223 cost per ESAt based on 2012-13 data: assessment appropriations of \$86.3m, assessment proportions of 10% ESAt, 55.5% medical ESAt, 34.5% JCA, task times of 47min, 69min and 106.5min respectively. Total assessment volume of 334,394 assessments 3. Excludes participants whose initial DES program referral was not present in the DES Data Source: DSS; BCG analysis

Recommend removing DES 18-Month Review



Recommend removing DES 18-Month Review

Options to manage DES 18-Month Review

	Maintain current approach	Conduct as a file assessment	Nudge providers to request	Target using analytics	Remove 18-Month Review
Description	<ul style="list-style-type: none"> Keep 18-Month Review process. Streamline ESAt paperwork for these ESAts 	<ul style="list-style-type: none"> ESAt conducted via a file assessment 	<ul style="list-style-type: none"> SA prompts provider at 18 months about whether a review is beneficial 	<ul style="list-style-type: none"> Target reviews at cohorts most likely to change program (e.g. existing referral for another stream) 	<ul style="list-style-type: none"> Remove the 18 Month-Review (providers can still initiate COCR ESAt)
Improves participant experience	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes
Enables participants to exit DES after 18m	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Partially 	<ul style="list-style-type: none"> Partially 	<ul style="list-style-type: none"> Mostly 	<ul style="list-style-type: none"> No
Impact on DES caseload and expenditure¹	<ul style="list-style-type: none"> Negligible volume and cost increase 	<ul style="list-style-type: none"> Increase caseload by ~250 Increase cost by ~\$1.5m 	<ul style="list-style-type: none"> Increase caseload by ~100 Increase cost by ~\$600k 		<ul style="list-style-type: none"> Increase caseload by ~500 Increase cost by ~\$3m
Impact on ESAt effort^{2,3}	<ul style="list-style-type: none"> Limited reduction in assessor work effort 	<ul style="list-style-type: none"> Reduce by ~\$1.5m (40 per cent reduction in effort per ESAt) 	<ul style="list-style-type: none"> Reduce by ~\$2.3m (60 per cent reduction in volumes) 		<ul style="list-style-type: none"> Reduce by ~\$3m (80 per cent reduction in volumes)
Implemented within current framework	<ul style="list-style-type: none"> No change to current DES Grant Agreement 	<ul style="list-style-type: none"> No change to current DES Grant Agreement 	<ul style="list-style-type: none"> Requires change to current DES Grant Agreement 	<ul style="list-style-type: none"> Requires change to current DES Grant Agreement 	<ul style="list-style-type: none"> Requires change to current DES Grant Agreement
Overall recommendation	<ul style="list-style-type: none"> Not recommended 	<ul style="list-style-type: none"> Viable alternative (e.g. if providers do not agree) 	<ul style="list-style-type: none"> Viable alternative (in combination) 		<ul style="list-style-type: none"> Recommended

Recommended

1. Assumes increased caseload results in \$750 service fee per participant per quarter 2. Assumes 18m Review ESAts require 70% of the effort of a standard medical ESAt 3. Assumes \$223 cost per ESAt based on 2012-13 data: assessment appropriations of \$86.3m, assessment proportions of 10% ESAt, 55.5% medical ESAt, 34.5% JCA, task times of 47 min, 69min and 106.5min respectively. Total assessment volume of 334,394 assessments Source: DSS Data; DEEWR DHS ESAt Case Study 2012-13; BCG Analysis

Section 2.2

ESAt triaging



Observations

ESAt triaging process has changed since COVID-19, new automations are being introduced

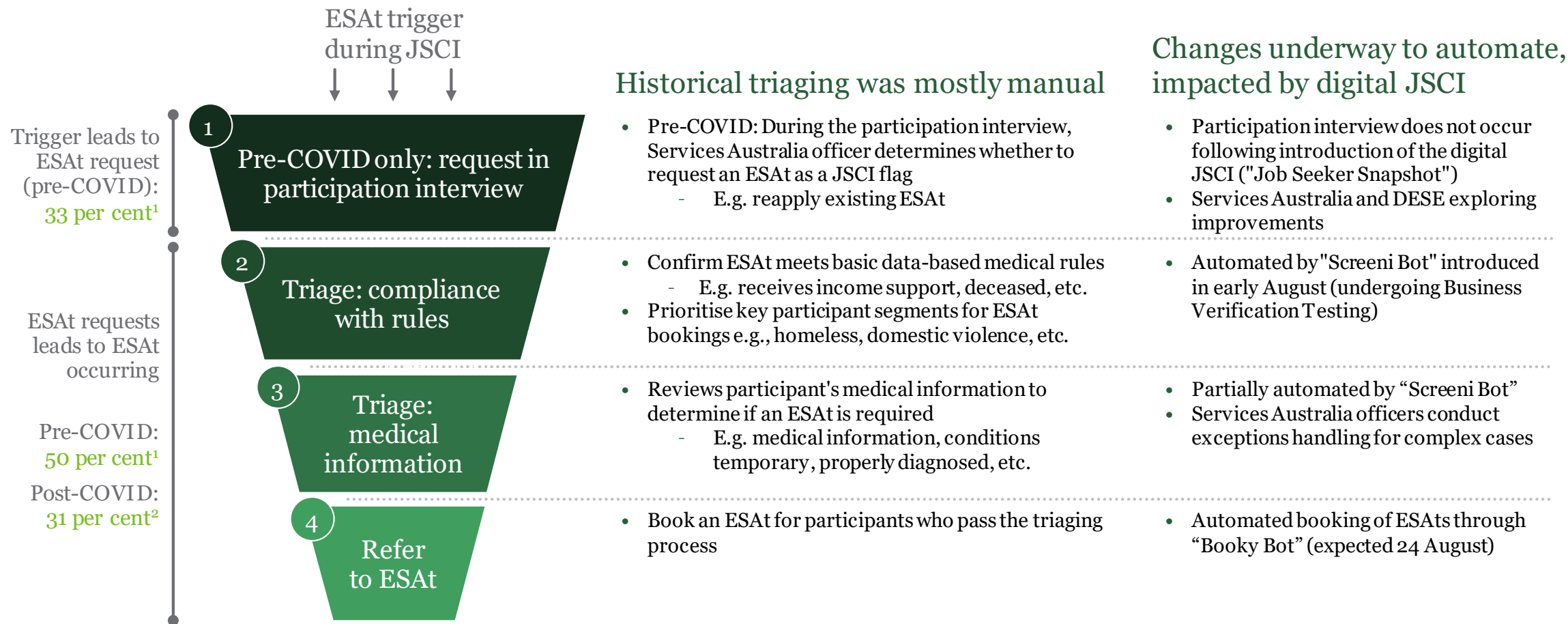
- Pre-COVID, triaging was conducted during the participation interview and through subsequent manual processes
- Post-COVID, the JSCI is now conducted online by the participant. This means triaging effort previously performed during the participation interview must occur through other means
- Parts of this process have recently become automated through the introduction of a tool called "Screeni Bot", which is undergoing Business Verification Testing
- While BCG has not reviewed the operations of this tool, there are clear benefits to automation and it has been welcomed by Services Australia staff



Recommendations

5. Continue improving the accuracy and efficiency of ESAt referrals triggered by the online JSCI. This could include adding new questions to the JSCI, or an alternative screening process
6. Ensure the "Screeni Bot" automation is effective and integrates well within current operations (including passing Business Verification Testing). This should include ongoing auditing and recalibration
7. As already planned by Services Australia, continue to build out complementary automations for ESAt booking and report writing

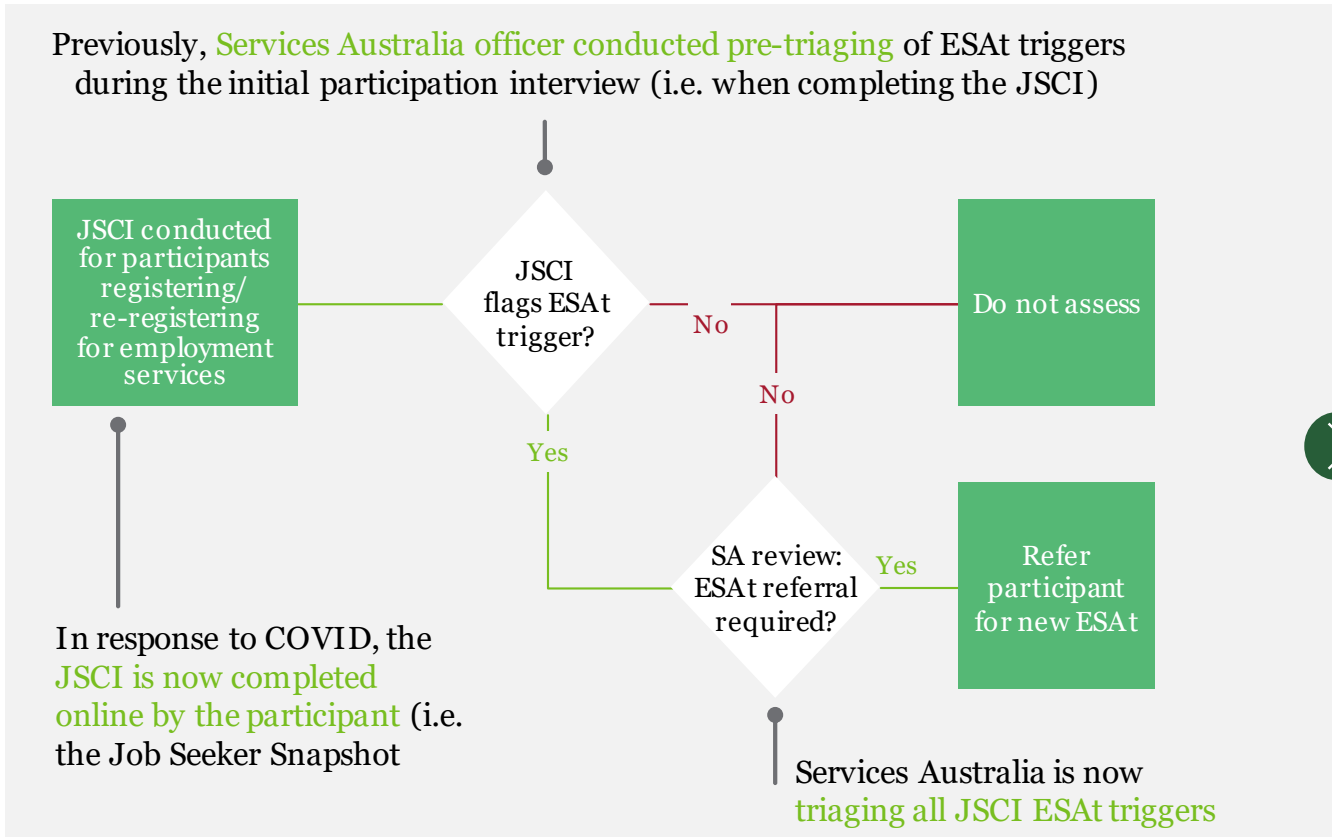
Triaging process is become increasingly automated, triaging during participation no longer occurs following the introduction of the digital JSCI



1. Includes JSCIs conducted by Services Australia due to registration or re-registration that result in an ESAt trigger. For JSCI and ESAt data between July 2018 and June 2020
 2. From May 2020 to 5 August 2020. Based on data for DESE ESAts provided by Services Australia (57,104 ESAts received and 39,360 triaged as not being required)
 Source: DESE Assessment, Services and Outcomes Branch; Services Australia Assessment Services Branch; BCG analysis

Potential to improve the accuracy and efficiency of ESAt referrals resulting from the online JSCI

ESAt referral process changed after introducing the online JSCI



Potential opportunities for improvement

Can the new process trigger ESAts more **accurately**? That is:

- Reduce the number of unnecessary ESAts referrals
- Ensure ESAts are being triggered in all cases where they are of benefit

Can the **efficiency** of the new process be improved to reduce workload for Services Australia?

1. May occur with or without a JSCI reassessment depending on the circumstances 3. Stream determined by JSCI score
 Source: ESAt and JSCI Instrument Overview; ESAt referral information; ANAO 'Qualifying for the Disability Support Pension'; BCG analysis

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Chapter 3 summary: Program recommendations and work capacity

3.1. ESAt decision-making

Interviews with assessors and observations of ESAt assessments demonstrated that ESAts are performed to a high standard by appropriately qualified professionals. However, broad guidelines require a high degree of professional judgement, which introduces inconsistency.

Recommendations to ESAt decisions more accurate and more consistent include:

- Update ESAt guidelines to be clearer and have more specific criteria. For example, the Department could consider increasing focus on the impact of medical conditions on the ability to obtain or retain employment, prioritisation of medical barriers compared to other barriers, factors which should not be considered as part of the ESAt, and the ongoing support requirements for DES-ESS and DES-DMS;
- Provide more examples of correct ESAt decisions, aligned to updated program guidelines and covering more "borderline" cases.

Section 3.2. Quality assurance

Services Australia currently has effective QA processes. However, changes in emphasis, including greater targeting, are necessary to embed any changes made to the program guidelines. Recommended changes to the QA process include:

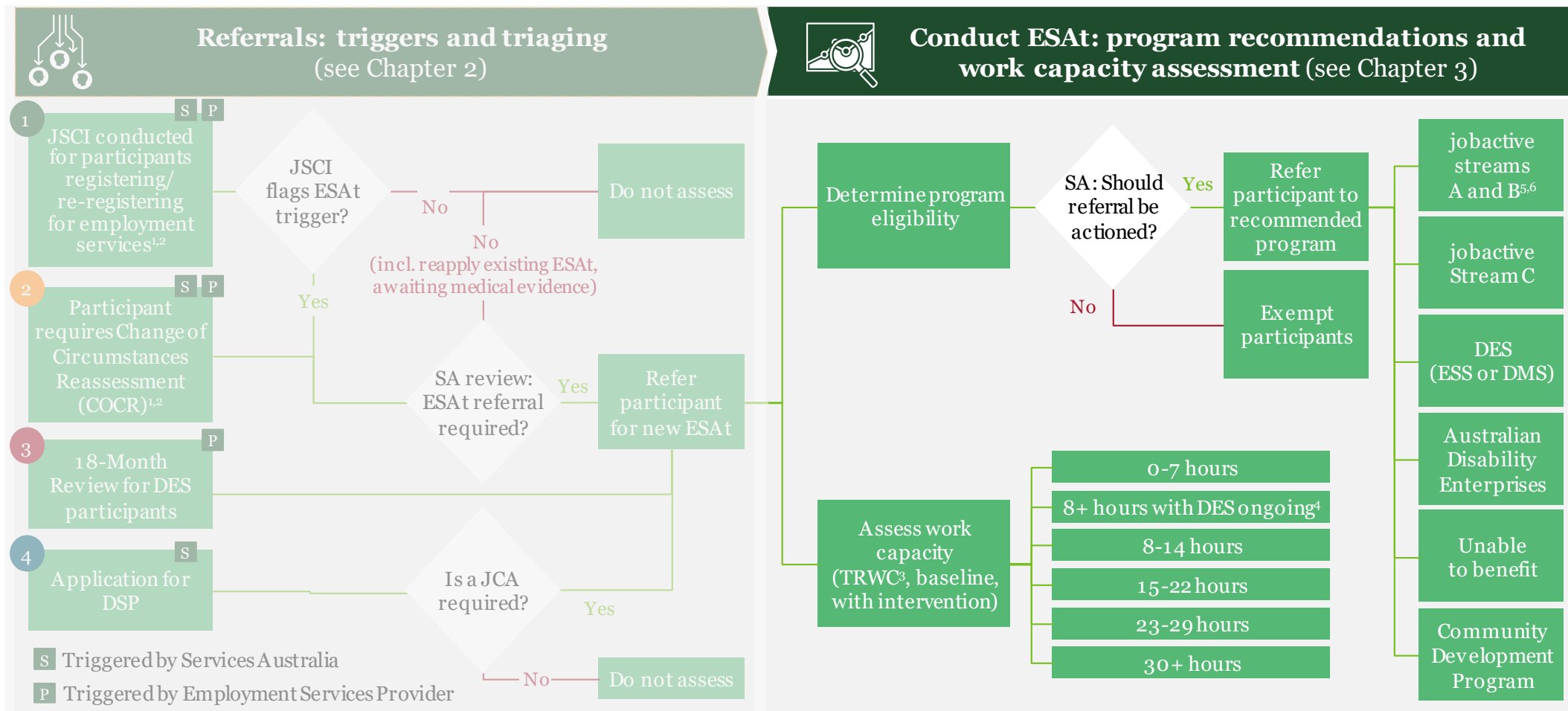
- Use analytics to target assessor quality assurance activities;
- Conduct standardised testing across assessors using file assessments, with a focus on "borderline" decisions;
- Provide selective, data-based feedback to assessors to address bias;
- Collect data on actual hours worked (e.g. by work capacity band, disability type) to inform assessor training.

Section 3.3. Enforcement of ESAt results

Currently, a proportion of individuals continue to participate in DES, despite having previously had ESAts that recommended an alternative program. While this proportion is small, at well under 1 per cent, the increased scale of DES suggests that it could translate into costs of up to \$8m per annum. It is recommended that the Department examine methods of encouraging providers to more thoroughly enact exits of such individuals.

Chapter 3: Program referrals and work capacity assessment

Current section



1. JSCI not required in all cases 2. Restrictions apply to provider referrals 3. Temporary Reduced Work Capacity 4. For participants who will only be able to reach 8 or more hours work a week with DES ongoing support. Applies to With Intervention work capacity only 5. Stream determined by JSCI score 5. Participant may be subsequently referred to TtW
 Source: ESAt and JSCI Instrument Overview; ESAt referral information; ANAO 'Qualifying for the Disability Support Pension'; BCG analysis

Section 3.1

ESAt decision-making: observations and recommendations



Observations

Broad program guidelines naturally lead to variation between assessors

- Observations of ESAt assessments demonstrated that ESAts are performed to a high standard by appropriately qualified professionals
- Guidelines for program recommendations and work capacity assessments are broad, require professional judgement
- Data shows statistically significant variability between assessors
- Assessor observations highlight differing interpretations of the program recommendation guidelines
- Incentives encourage assessors to be conservative in work capacity assessments



Recommendations

8. Update ESAt guidelines to be clearer and have more specific criteria. For example:
 - Criteria which should not be considered e.g. employment service, duration in employment service, age
 - More detail on when a medical condition should be the primary barrier to employment compared to other factors (e.g. vocational barriers, other non-medical barriers, macroeconomic conditions)
 - Emphasise that ESS eligibility should require substantive reasons to believe that a participant will require moderate to high DES ongoing support (rather than flexible ongoing support)
 - Clarifications on the treatment of the "post-COVID" cohort
9. Provide more examples of correct ESAt decisions, aligned to updated program guidelines and covering more "borderline" cases

Assessment observations highlighted opportunities to clarify guidelines



Assessors report they are confident in most cases

- A. Assessors appear suitably **qualified and highly competent**
- B. Individual assessors usually have **clear view of recommended program** between streams; participants with medical evidence and no major non-medical barriers streamed to DES
- C. Borderline decisions involve difficult judgement on **comparative impact of medical and non-medical barriers**



Decision criteria based on ambiguous guidelines

- D. **Participant input** informs whether medical condition impacts their employment, if non-medical barriers are the more significant barrier
- E. Some assessors refer from **Stream C to DES to "try something different"**
- F. Assessors more likely to recommend **older participants** into DES
- G. Some assessors may refer to **DES ESS** based on **permanence and complexity** of medical conditions rather than the need for **ongoing support**
- H. Current assessment implicitly incorporates participant **motivation**, despite not being part of the assessment criteria
- I. **Employment experience** not explicitly included in DES referral guidelines



Participant demographics changed post COVID-19

- J. **Post-COVID cohort** is seen as more employable, experienced and motivated. Assessors have not yet been given additional referral guidance for this cohort

Program recommendations: Interview observations (I/III)

A

Assessors appear suitably qualified and highly competent

- Assessors appear suitably qualified, even when assessing participants with conditions outside their specific domain of expertise (e.g. due to ability to draw on other assessors, able to review existing medical evidence)
- Assessors demonstrate strong understanding of the employment services programs

B

Individual assessors report they have clear view of recommended program between streams; participants with medical evidence and no major non-medical barriers streamed to DES

- DES decisions usually come down to whether they have a medical condition with supporting evidence, unless there is another complex non-medical barrier which needs to be sorted first (e.g. homelessness). Medical conditions usually make it obvious (e.g. autism usually belongs in ESS)
- Stream C decisions usually clear - participants with one or more complex non-medical barriers
- ESAt assessments viewed as much more straightforward than JCA assessments

C

Borderline decisions involve difficult judgement on whether medical or non-medical barriers are more impactful

- “Borderline” decision between DES vs job active are relatively infrequent (“I probably pause and really have to think about the most appropriate referral maybe once a week”)
- Assessor judgement is required to determine whether non-vocation or medical barriers are more material

Program recommendations: Interview observations (II/III)

D

Participant input informs whether medical condition impacts their employment and whether non-medical barriers or medical barriers

- Decision on whether medical condition is a barrier to work often comes back to the participant “Yes, I have chronic anxiety. It's being treated. It might impact my ability to work but it should be fine. I'll try going back part time and then see”
- Input from participants is needed to determine severity of non-medical barriers and whether they need to be addressed to make participant job-ready

E

Some assessors refer Stream C participants to DES to “try something different”

- Multiple assessors stated they will refer an existing Stream C participant to DES to “try something new” if they have been unsuccessful in Stream C
- Sometimes assessors keep participants in Stream if participant says they are satisfied with their current provider

F

Assessors see older participants as very likely to be streamed into DES

- Assessors noted it was highly likely older participants (e.g. 55+) would be streamed into DES, as they often have multiple medical conditions
- Unclear whether assessment considers whether medical barriers are the primary barrier for this cohort or other factors

Program recommendations: Interview observations (III/III)

G

Some assessors may recommend DES ESS based on permanence and complexity of medical condition rather than the individual's need for ongoing support

- Some assessors assume participants will require "Moderate" or "High" ongoing support (and belong in DES ESS) based on severity of medical condition, although there may not be evidence this will be required
- Some assessors have commented that participants with conditions which may improve (but are still permanent) are streamed into DES DMS

H

Current assessment implicitly incorporates participant motivation, despite not being part of the assessment criteria

- Official criteria state that assessment shouldn't be incorporated into program recommendations or work capacity assessments
- However, assessors noted that in practice it is difficult to separate out motivation from other factors

I

Employment experience not explicitly outlined in DES referral guidelines

- Participants' employment history can indicate whether their medical conditions impact their ability to gain or retain employment
- This is not explicitly included in the DES referral guidelines, however in some cases this is considered by assessors

J







Post-COVID participant cohort is more employable, experienced and motivated

- Assessors view participants who lost their job due to COVID-19 as more employable, experienced and motivated "they'll get a job quickly once COVID-19 settles down"
- Some assessors indicate their questions for people who lost their job as result of COVID-19 focused on whether they previously needed support finding employment and/or were able to work full time to determine whether DES is appropriate
- Assessors haven't received feedback on their approach to participants who are unemployed as a result of COVID-19

DES recommendations require assessor judgement on whether conditions "substantially" impact employment

See appendix for further detail

ESAt guidelines for recommendation to employment services:

	Employment Service	Summary of ESAt guidelines for recommendation to employment service
	Streams A and B	<ul style="list-style-type: none"> • Medical conditions don't impact ability to find employment • Minimal to medium support required to overcome non-medical barriers • Stream Services Job Seekers considered job ready
	Stream C	<ul style="list-style-type: none"> • May have unstable medical conditions which significantly impact ability to find employment • Must have multiple or complex non-medical barriers to overcome • Participants not considered job ready until barriers are addressed
	Disability Employment Service (DES) (DMS or ESS)	<ul style="list-style-type: none"> • Participant must have temporary or permanent disability, illness or injury • Condition must result in substantially reduced capacity to obtain or retain employment • Must have work "with intervention" work capacity of 8+ with DES support • Non-medical barriers must have stabilised sufficiently to benefit from DES
	Australian Disability Enterprises (ADEs)	<ul style="list-style-type: none"> • Participants have severe medical barriers requiring a supported work environment who are able to work 8+ hours in supported environment
	Unable to benefit	<ul style="list-style-type: none"> • Severe medical barriers meaning participant is unable to work more than 8 hours in supported work environment or open employment
	Community Development Program	<ul style="list-style-type: none"> • Participant located in a designated remote area as determined by the NIAA¹

1. National Indigenous Australians Agency
Source: ESAt JCA Guide to Determining Eligibility and Suitability for Referral to Employment Services

Interviews highlighted challenges of work capacity assessments



Underlying challenge in an assessment

1. There is inherent uncertainty in a participants work capacity which makes assessments challenging, even with very similar conditions
2. Separating work capacity from motivation is challenging



Limited information to inform decisions

3. Short assessment time and relatively limited medical (compared to rigour required for DSP) leads to uncertainty
4. Limited recent work history for many participants makes work capacity assessments challenging



Assessors prefer to be conservative in their assessment

5. Assessors want to be sure participant will be able to maintain employment at the assessed work capacity
6. Some assessors are conscious of providers challenging high benchmark hours, see little downside in being conservative in their assessment

Assessors also have broad, subjective guidelines to assessing work capacity

ESAt guidelines for assessing work capacity

“

Work capacity is defined in relation to **any type of work**, and is not limited by the work the customer usually performs or work available in the customer's area

“

All **non-medical factors should be disregarded**, except where directly attributable to an impairment

“

Person should be capable of reliably performing the assessed work capacity on a **sustainable basis**

- e.g. 26 weeks in open, unsupported employment

“

Work capacity should consider **combined functional impacts** of all permanent medical conditions, treat all conditions as stable

“

Bandwidths for work capacity corresponding to **qualitative categorisation of functional impact**¹

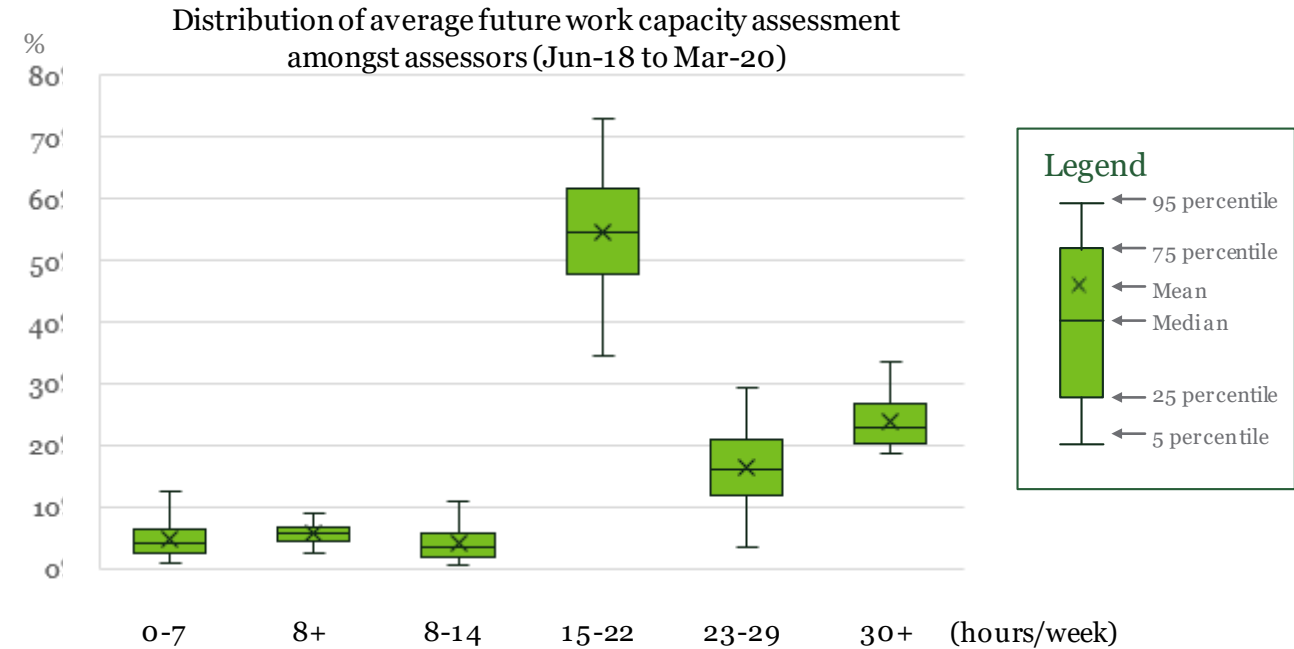
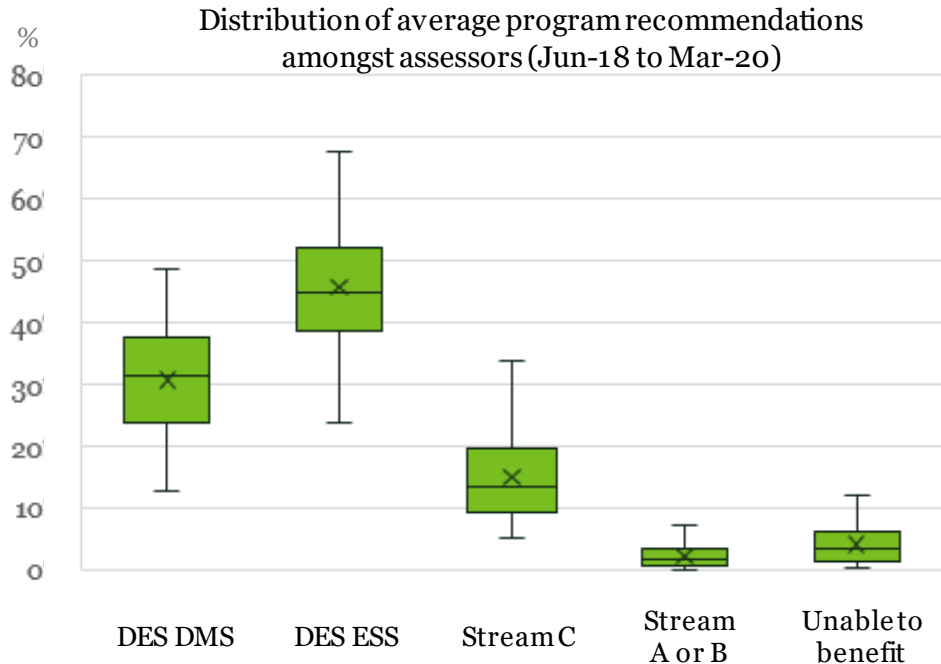
- i.e. no (30+), mild (23-29), moderate (15-22h), severe (8-14), extreme (0-7)

1. Future work capacity ("with intervention") will often be higher than baseline (pre-DES) capacity
Source: ESAt Operational Blueprint 'Assessing Work Capacity (008-06110020)'

Summary data suggests substantial variation between assessors, but more thorough analysis needed to control for other variables

Average program recommendation rates vary by up to 50 percentage points across assessors

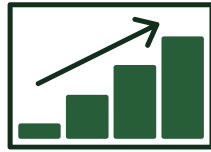
Similarly, future work capacity assessments can vary by up to 40 percentage points across assessors



However, such summary data does not control for variation in the job seeker population faced by each assessor

Note: Includes only assessors who have conducted 500 or more assessments in the period of Jun 2018 to Mar 2020 with no controls. Total of 448 observations.
Source: DSS; BCG Analysis

Regression findings suggest that assessors may vary substantially in their probability of recommending DES and assigning low work capacity



A statistical regression at least partially controlled for other factors¹ allows the extent of variation across assessors to be estimated

- 1 There is **high variability** in the way that assessors stream participants into DES or assign low work capacity
- 2 Older participants are **slightly more likely** to be streamed into DES and assessed as low capacity
- 3 Participants with barriers that are not related to their vocation or disability are **less likely** to be streamed into DES, but **more likely** to be assessed as low capacity if they are related to drug and alcohol and social isolation
- 4 Participants are **more likely** to be streamed into DES over time²
- 5 Participants are **more likely** to be assessed as low capacity if they have some form of disability, although the type of disability also affects the likelihood

1. Factors controlled for include geography, age, volunteer status, gender, months unemployed; whether the participant was Indigenous, homeless, CALD, ex-offender or a refugee; primary disability type; barriers; referral reason; source of referral, outcomes of follow-up ESA ts, time spent on Stream C, assessor credentials. 2. This is driven by the pre-vetting services introduced for DSP mid-2017 which drove ineligible DSP participants to enter DES instead. Note: While these findings should not be taken as comprehensive proof (as not all factors have been or can be controlled for), they are consistent with ESAt assessor interviews
Source: DSS; BCG analysis

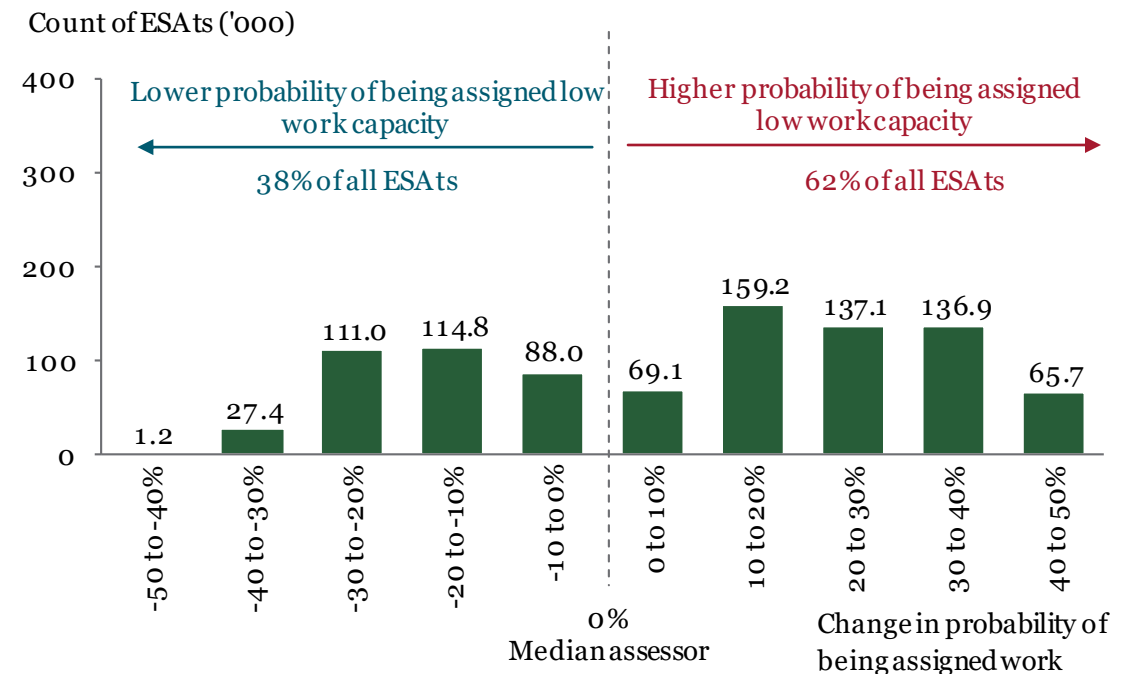
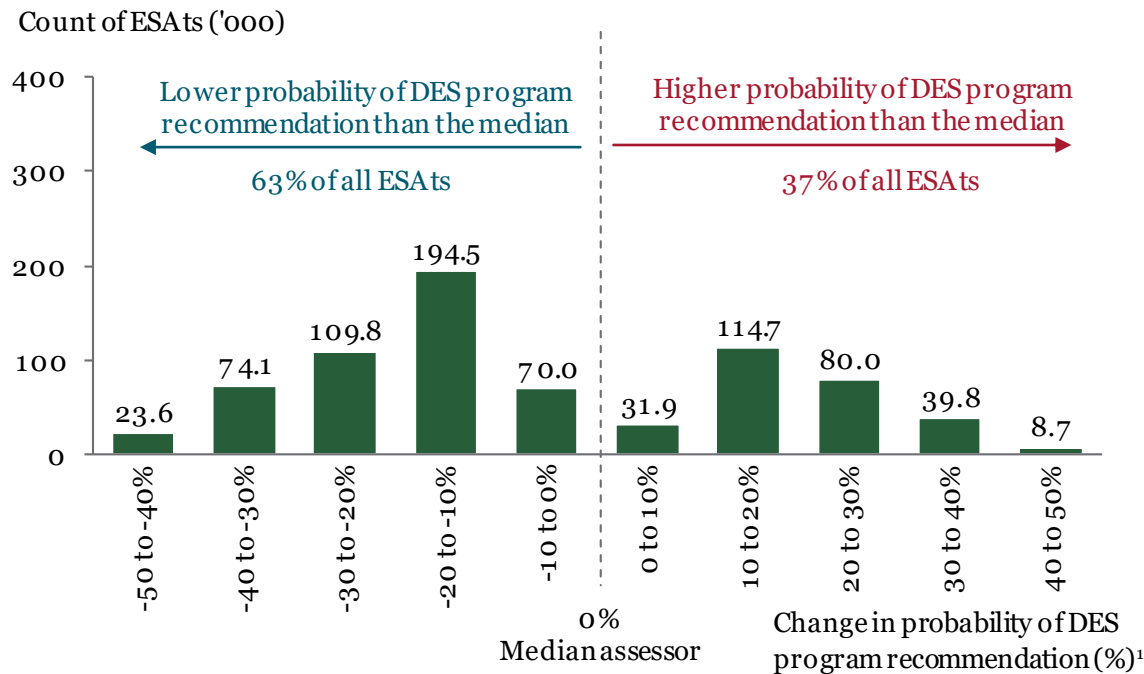
Regression suggests choice of assessor can have a substantial impact on whether an individual receives a DES program recommendation or a low work capacity

Choice of assessor can substantially impact probability of a DES recommendation, even after controlling for other variables

Similarly, the choice of assessor can substantially impact probability of being assessed as work capacity

Distribution of tendency to provide a DES program recommendations

Distribution of tendency to assign low future work capacity (<23hrs)

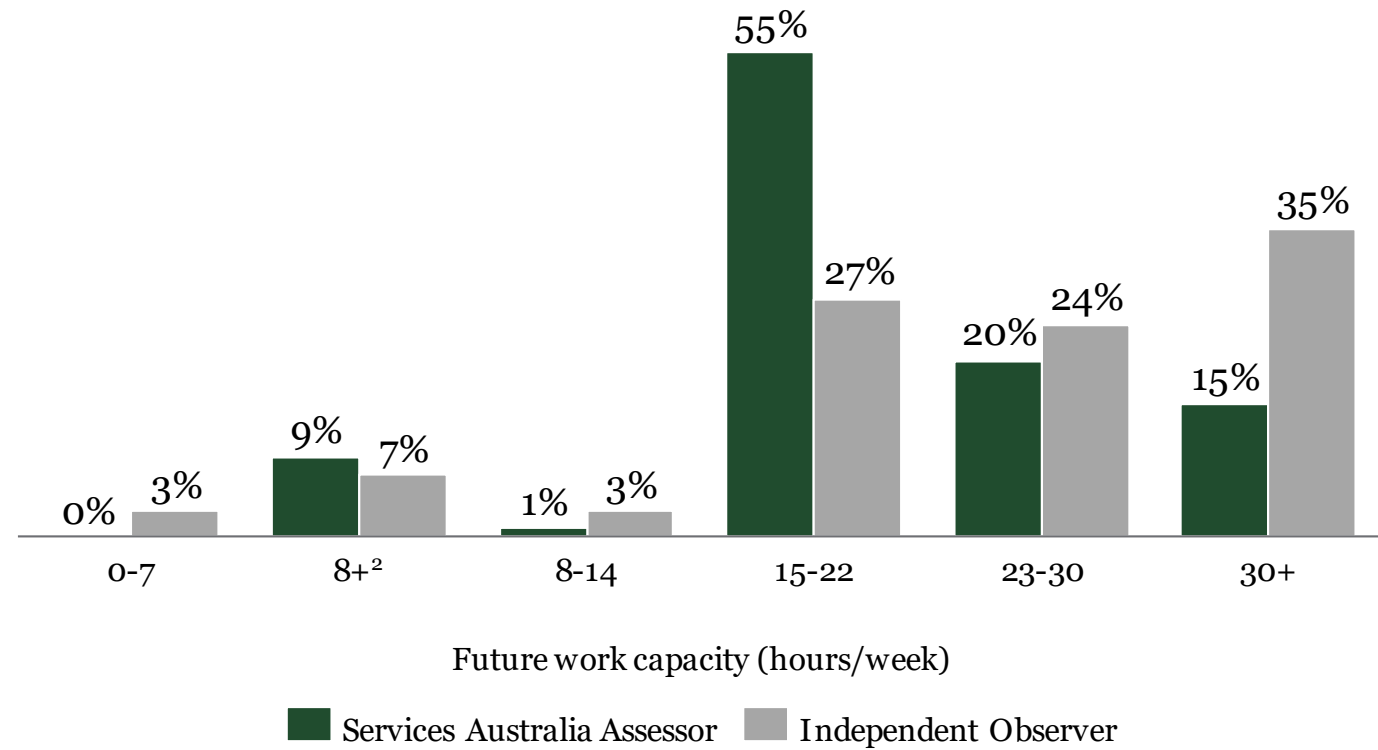


1. Incremental percentage change from deviating from the median assessor (TB2720, AHO816) assuming all other variables are kept constant.
 Note: factors controlled for include geography, age, volunteer status, gender, months unemployed; whether the participant was Indigenous, homeless, CALD, ex-offender or a refugee; primary disability type; barriers; referral reason; source of referral, follow-up ESAT, time spent in Stream C, assessor credentials
 Note: only assessors that statistically differ from the median assessor included, as well as their respective assessments
 Source: DSS; BCG analysis

Services Australia assessors and independent observers had differing assessments of work capacity

Assessments of work capacity by independent observers were higher than those of Services Australia assessors

Comparison of future work capacity assessments from Services Australia and independent observers¹
% of assessments

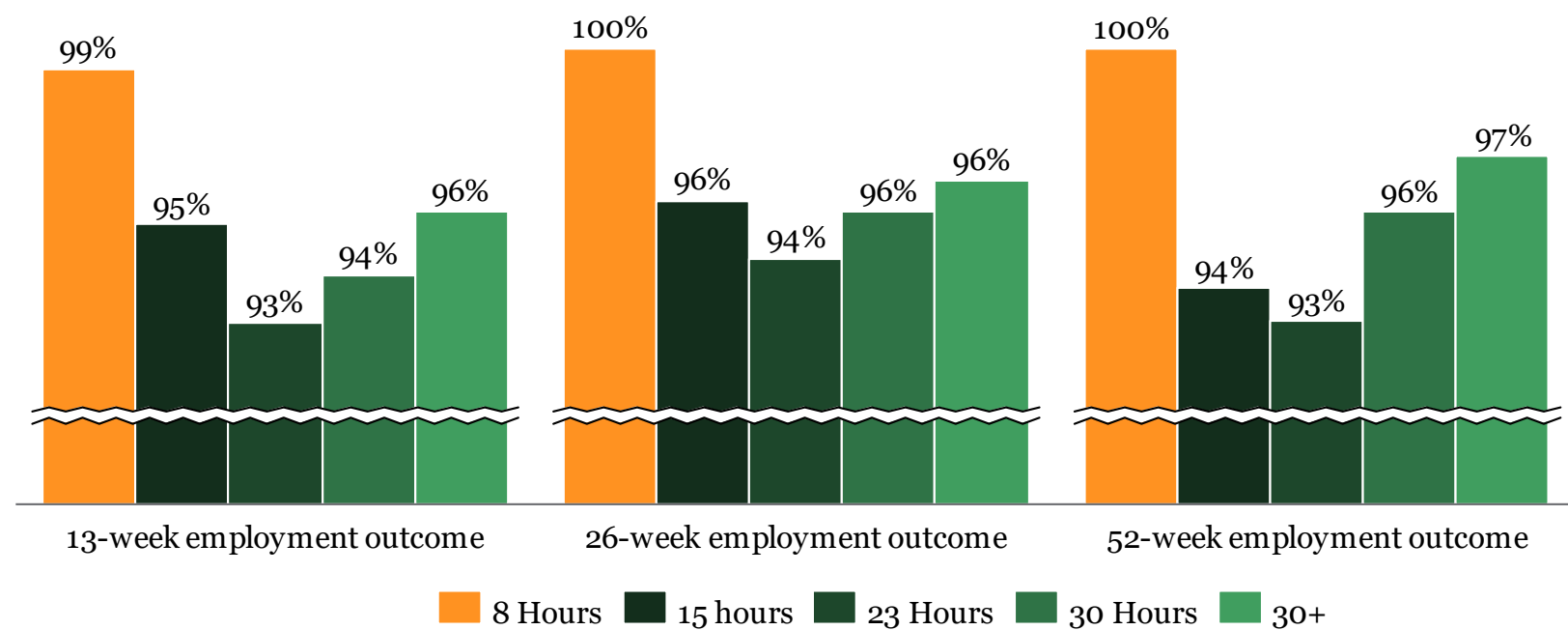


1. Based on approximately 320 assessments observed by Independent Assessors 2. Capacity of 8+ hours with DES Ongoing Support
Source: EY, 'DES Assessment Review Final Report'

The bulk of DES participants who achieve employment outcomes do so at or above their assessed benchmark hours

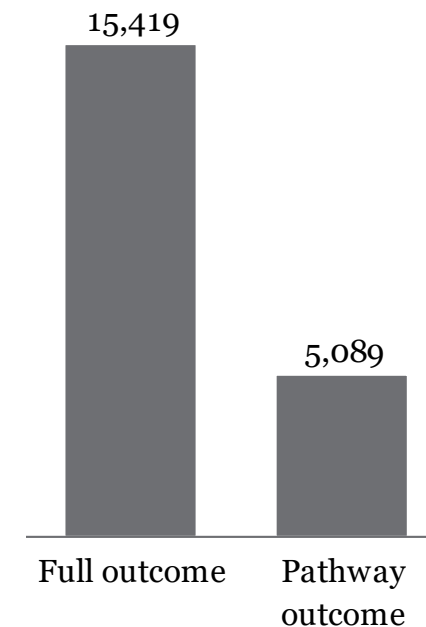
Across all work capacity levels, strong tendency to achieve full, rather than pathway, outcomes, implying work capacity consistently reached or exceeded

Full outcomes as a percentage of all outcome (%), from Mar-19 to Mar-20



Pathway outcomes are one-third of a full outcome payment

26 week outcome fee for ESS 5 participant (\$)

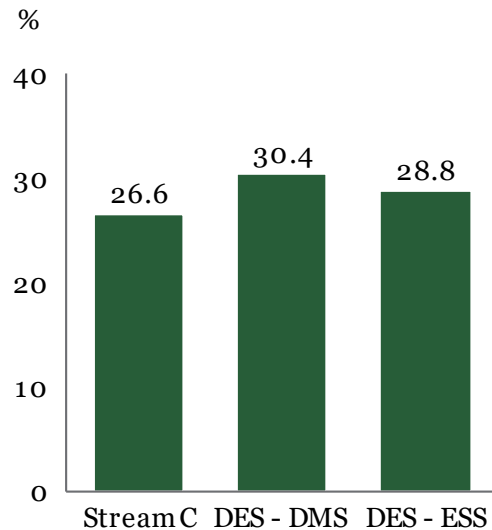


Transferees from Stream C to DES have substantially worse outcomes than the average DES participant

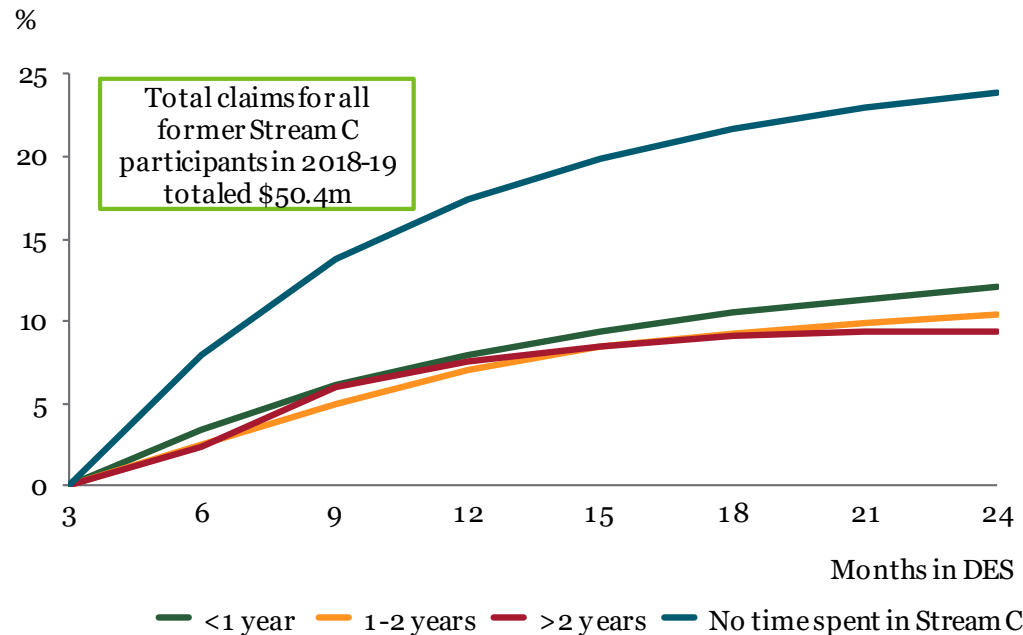
While Stream C and DES achieve similar outcome rates overall...

...transferees from Stream C are substantially less likely to achieve a 13-week employment outcome rate

Employment outcome rates



13-week employment outcome rates based on amount of time spent in Stream C before entering DES



For any given length of time in DES, former Stream C participants are **half as likely** to achieve a 13-week employment outcome than the rest of the DES cohort

However, it is difficult to conclude whether DES or Stream C is the less effective program for this cohort without observing their respective outcomes in Stream C

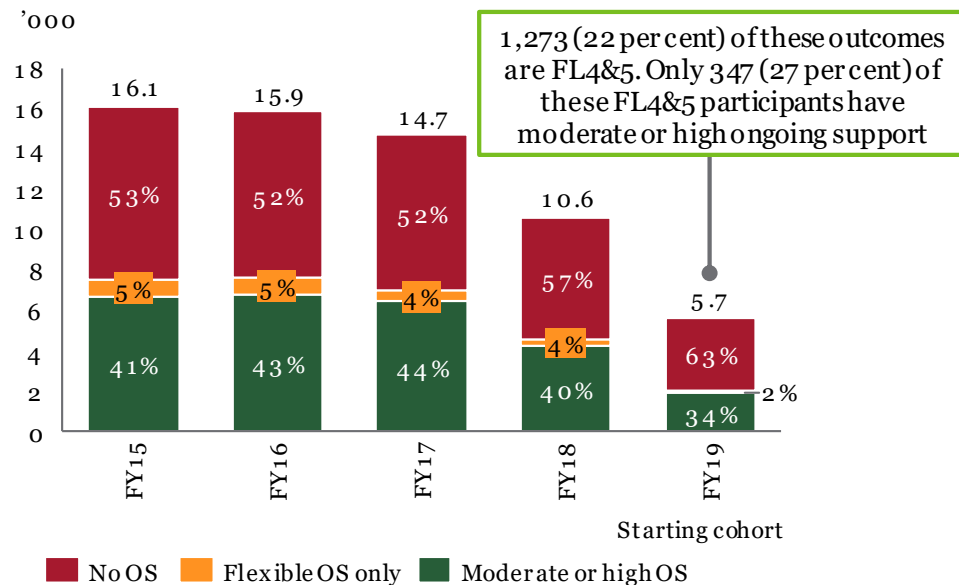
Note: Former Stream C participants were identified by looking at COCR that resulted in a DES recommendation but the previous ESA was Stream C. 7,607 former Stream C participants identified in DES (FY 15-20). The difference in completion date between the two ESAs was used to determine the length of time a participant was in Stream C before transferring to DES. 3,149 has been in Stream C less than a year, 2,793 had been in Stream C between 1-2 years and 1,665 had spent more than 2 years in Stream C before transferring
 Source: Employment Services Outcome Reports December 2018; DSS ; BCG analysis

Most individuals referred to ESS do not ultimately receive moderate or high ongoing support

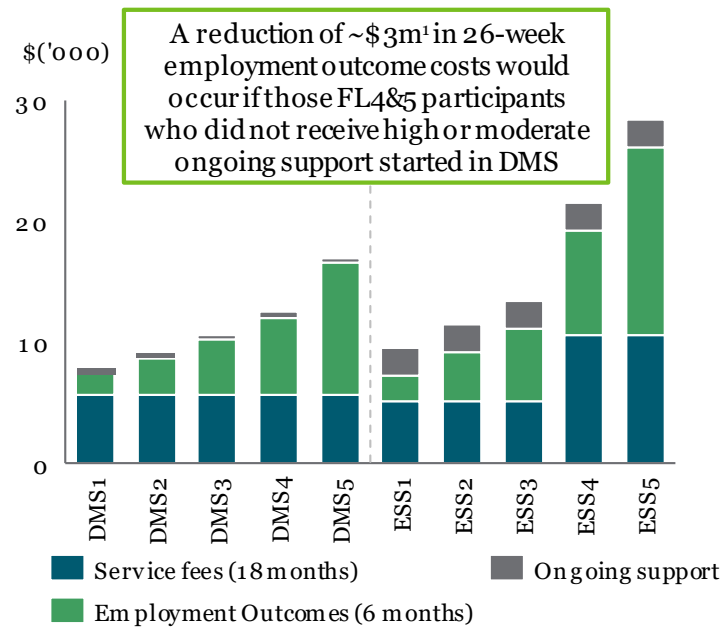
Over 50 per cent of ESS participants who achieved a 26-week employment outcome did not receive ongoing support (OS)

Service and outcome fees for FL4 & 5 in ESS are substantially higher than DMS

Proportion of participants that made an ongoing support claim post achieving a 26-week outcome



Provider payment schedule per funding level



Current guidelines indicate that participants should be referred to ESS if it is expected that they will require moderate or high ongoing support to maintain their job.

However, less than 50 per cent of participants actually receive moderate or high ongoing support leading to the conclusion that most did not require the support

1. Calculated based on the average difference between a DMS4&5 and ESS4&5 26-week employment outcome (i.e. \$3,311) and the 926 ESS FL4&5 participants that did not make an high or moderate ongoing support claim post achieving their 26-week employment outcome.
 Note: All 26-week employment outcomes achieved in the last 6 months of the dataset have been excluded, as participants may not have had sufficient time to incur an Ongoing Support claim.
 Source: DSS ; BCG analysis

Recommend ESAt guidelines are updated to provide clearer, more specific guidance on program recommendations

Program criteria

Condition materially impacts employment

- Condition results in substantially reduced capacity to obtain or retain open employment
- Participant requires specialist assistance to build capacity to assist job seekers to work to their assessed future work capacity



Potential clarifications to consider

- Participants should not be referred to DES if they were **previously able to obtain or retain employment** at their assessed work capacity without specialist DES support and there has been no material change in their medical conditions

Prioritisation of factors

- Non-medical barriers must have stabilised sufficiently to benefit from DES
- Not suitable for participants requiring long term assistance, or with multiple non-medical barriers



- Participants with continuing **non-medical barriers should not be referred to DES** if there has been no improvement in these barriers
- Participants should not be streamed into DES where general **unemployment barriers or macroeconomic conditions** are the primary barrier to employment

Exclusions from program decisions

- No clear guidelines as to whether age, duration in current employment service, duration of unemployment should be considered



- The following factors must not be considered as part of the program recommendations: **age, duration in current employment service, duration of unemployment**

Ongoing support needs (for DES ESS)

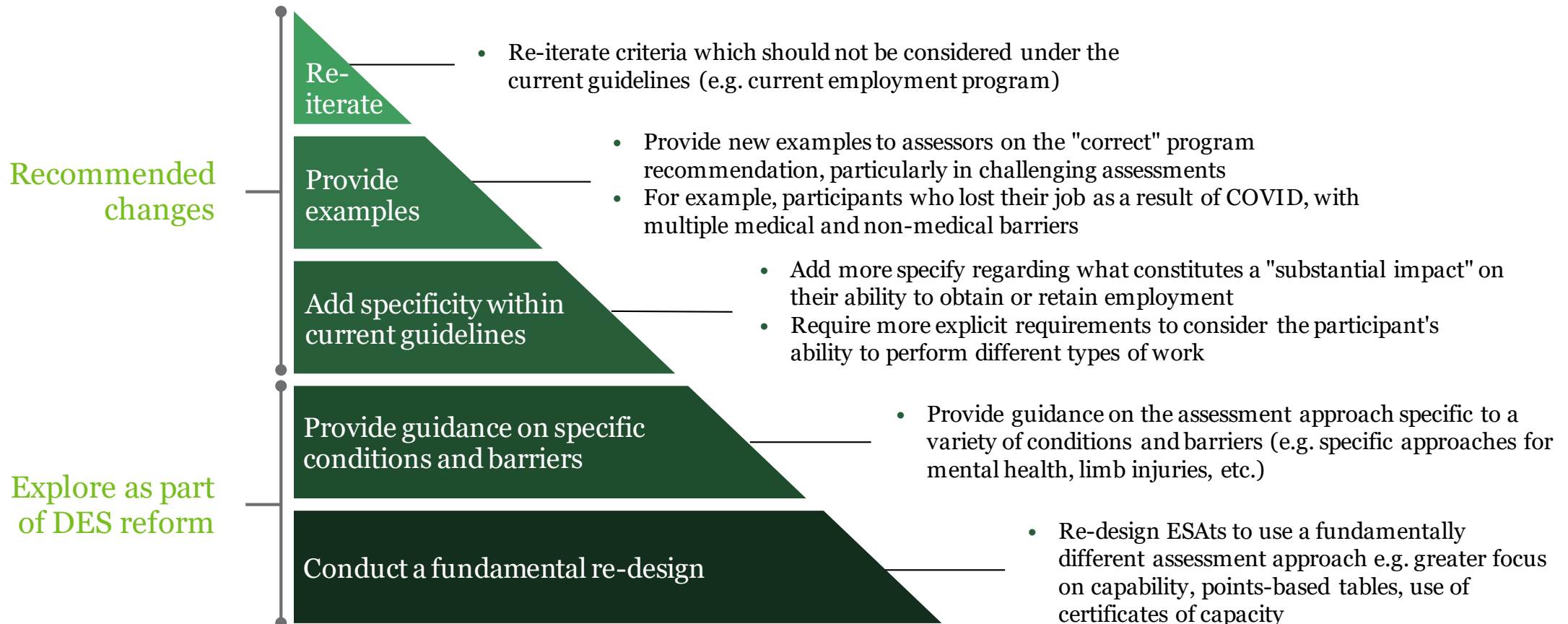
- Participant should be referred to ESS if it is expected that job seekers will require moderate or high ongoing support to maintain their job—i.e. a minimum of six contacts over each period of three months
- If the frequency of required support is unclear, the job seeker should be referred to Disability Management Service



- Emphasise that ESS eligibility should require **substantive reasons** to believe that a participant will **require moderate to high DES ongoing support** (rather than flexible ongoing support)
- Unless clearly evidenced, a future deterioration in the participant's medical condition(s) should not be assumed





Recommend changes to ESAt guidelines within current framework in the near term, explore alternatives as part of broader DES reform

Spectrum of options for clarifying ESAt guidelines



Providing assessors with additional examples could help clarify guidelines and improve consistency

Illustrative examples

				
Description	<ul style="list-style-type: none"> 61 year old male 	<ul style="list-style-type: none"> 53 year old female 	<ul style="list-style-type: none"> 33 year old male 	<ul style="list-style-type: none"> 58 year old female
Medical conditions	<ul style="list-style-type: none"> Back injury, which causes participant pain when undertaking labour based work (incl. in previous role) 	<ul style="list-style-type: none"> Chronic neck and back pain, which is medicated (can't perform manual labour) History of stomach cancer 	<ul style="list-style-type: none"> Severe depression and anxiety 	<ul style="list-style-type: none"> Hand surgery in 2016 (weak grip) Obstructive sleep apnea (treated by CPAP machine) Anxiety
Non-medical barriers	<ul style="list-style-type: none"> Limited educational history (completed year 10) 	<ul style="list-style-type: none"> Nil 	<ul style="list-style-type: none"> Long term unemployed Transient accommodation (moving between sister's and a friend's house) Limited education history (completed year 9) 	<ul style="list-style-type: none"> Limited educational history (completed year 11, undertaking Cert II)
Employment history	<ul style="list-style-type: none"> Worked in building maintenance for 13 years (incl. gardening, labouring, cleaning) Left job in Sep '19 to relocate to a regional area History of obtaining and retaining employment without assistance 	<ul style="list-style-type: none"> Worked in administrative roles as a contractor for 20 years Lost job as a result of COVID-19, unsuccessful in recent applications No history in employment services History of obtaining and retaining employment without assistance 	<ul style="list-style-type: none"> Performed various retail, hospitality and labour jobs Currently in Stream (for 18m) 	<ul style="list-style-type: none"> Employed from 2016-2019, including recent 12m in retail. Previous history from 2010-2015 Last participated in DES in 2016
Streaming Decision	?	?	?	?
Work capacity	?	?	?	?

Section 3.2

Quality assurance



Observations

Current QA processes appear effective, opportunities to increase focus to support other recommended changes

- Current processes appear to be working well, but adjustments may be needed to embed guideline changes
- Opportunities to learn from global best practice in other industries e.g. standardised testing across assess, using data to target QA on outlier assessors
- Services Australia have limited visibility over each assessor's long-run referral data, program-wide data or the cost of employment services



Recommendations

10. Use analytics to target assessor quality assurance activities (e.g. comparison to overall program results, regional results, or to expected results after normalising for other factors)
11. Conduct standardised testing across assessors using file assessments, with a focus on "borderline" decisions
12. Provide selective, data-based feedback to assessors to address bias. For example, this could be informed by comparison of individual assessor results to program level results
13. Collect data on actual hours worked (e.g. by work capacity band, disability type) to inform assessor training

Quality Assurance process appears effective, but recommend increasing focus to support other changes

Sampling method



Current approach appears suitable

- **Standardised QA sampling** of all experienced assessors
 - Overall QA target of 2 per cent of all assessments
 - Quality team observes a minimum of 2 assessments per assessor per quarter
 - New assessors have all assessments they conduct monitored by the quality team
- **Line managers** monitor performance each assessor



Opportunities to increase focus

- **Targeted sampling** based on data and analytics, to complement random sampling
 - At a minimum, review outliers compared to the average results (e.g., across all assessors, regionally)
 - Alternatively, statistical methods such as logistic regression or machine learning can be used
 - For example, targeted compliance is frequently for payment audits across financial services, healthcare and other industries

Test method

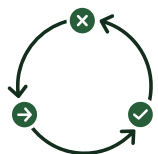


- Quality **team observes interviews**, focuses on ensuring decisions are justified and reasoned
- **Retrospective reviews** of ESAt reports



- Introduce **standardised testing** across all assessors to determine variability between assessors
 - For example, this could be performed by having all assessors perform an ESAt "file assessment" for the same participant

Assessor feedback



- Assessors receive **detailed qualitative feedback** from managers and quality team



- Provide selective, **data-based feedback to assessors** to address bias. For example, this could be informed by comparison of individual assessor results to program level results
 - For example, best-in-class recruitment functions analyse hiring information to minimise unconscious bias

Behavioural changes can improve outcomes in many different applications



Virgin Atlantic experiment reduced fuel costs by up to 10 per cent

- Virgin Atlantic behavioural experiments reduced pilot fuel consumption by up to 10 per cent, depending on the treatment
- Experiment tested three progressive treatments
 - i. Providing fuel use data to each pilot on a monthly basis
 - ii. Setting fuel use targets
 - iii. Donating to a pilot's chosen charity if they meet set targets
- Results shows all treatments were effective



Research showed recommendation engine increased bail sentencing accuracy

- US researchers examined how machine learning algorithms could improve bail sentencing decision making (whether a participant awaits trial at home or in jail, not the final case sentence)
- Judges were shown results of a recommendation engine after they had made decisions, and asked if they would change the results
- Policy simulation showed crime rates could be reduced by 25 per cent with no change in jailing rates; or jailing rates could be reduced by 42 per cent with no increase in crime rates
- Gains were possible while also significantly reducing the percentage of African-Americans and Hispanics in jail

5

principles to realise change

Update guidelines using **behavioural language** (use defaults, clear rules e.g. if X then Y) where discretion is not desirable.

- This could be supported by the Behavioural Economics Team of the Australian Government (BETA)

Test changes to guidelines and behavioural nudges before implementation. This can be done quickly e.g. 2 days

Create behavioural incentives, for example "nudging" outlier assessors

Reinforce changes through feedback and quality assurances

Target feedback based on desired outcomes. For example, target all assessors if consistency is desirable, specific segments if a particular outcome is undesirable

Section 3.3

Enforcement of ESAt results



Observations

ESAt referrals have not always been strictly enforced according to DES Grant Agreement Guidelines

- Guidelines specify that providers have the responsibility to exit participants if program services are no longer appropriate
- There is no automatic actioning of an ESAt referral or system checks, enforcement ESAt referrals requires provider action
- Providers do not always choose to action referrals to another program
- A preliminary estimate is that \$5-8m could be saved annually if all non-DES ESAt outcomes were actioned by providers



Recommendations

14. Examine opportunities to enforce Grant Agreement clauses regarding DES exits following an ESAt recommendation to another program

1. As of August 2020, this excludes pending and suspended participants
Source: BCG analysis

While ESAts during a period of service are binding under the Grant Agreement, provider action is required to enforce exits from DES

Rules surrounding ESAts and DES entry/exit:



During a period of service, there is no automatic actioning of an ESAt referral or system checks, providers have the responsibility to action

A **valid ESAt is required upon entry into an Employment Services Program** and participants will be granted entry to the program recommended by the ESAt assessment at the time. ESAts are valid for 2 years for the purposes of "assessing eligibility" however, are ongoing for the purposes of assessing work capacity

If an **ESAt for a DES 18-Month Review** recommends "that the Participant does not receive Extended Employment Assistance, then the Provider must perform a Provider Exit of the Participant" (DES Grant Agreement)



The outcome of this ESAt generally enforced

If an **ESAt for a COCR** recommends "that Program Services are no longer an appropriate service for a Participant, the Provider must perform a Provider Exit of the Participant" (DES Grant Agreement)



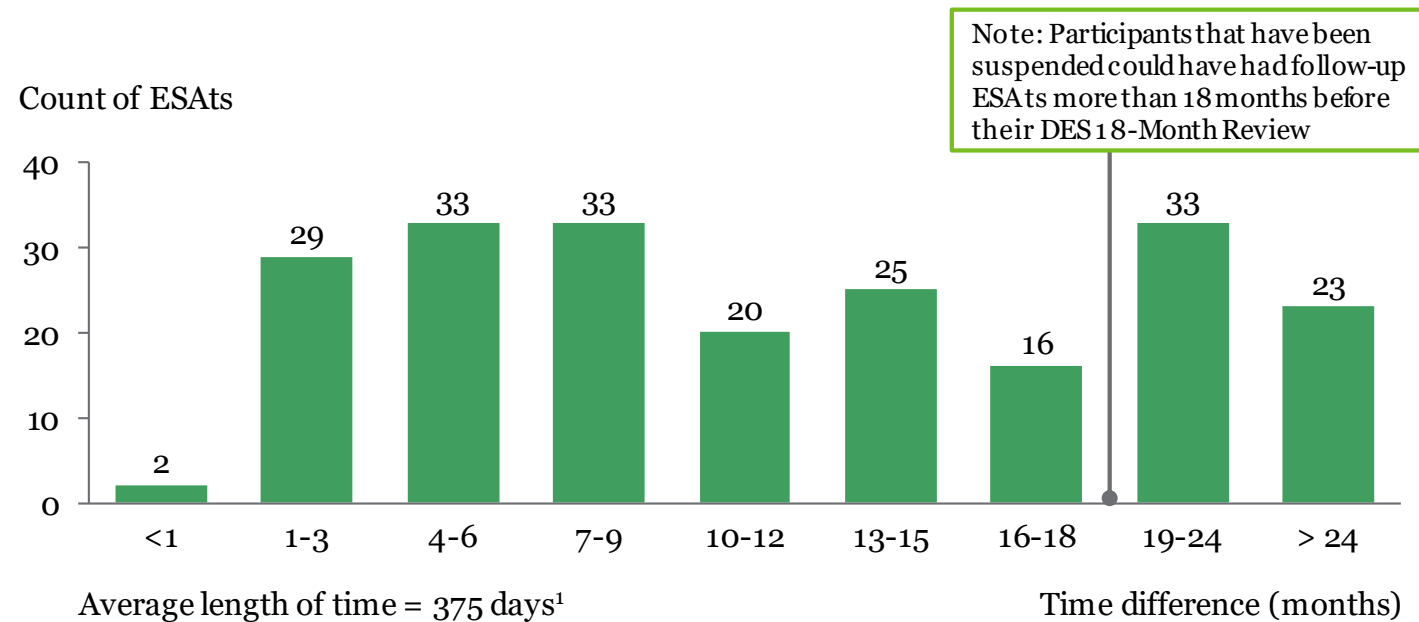
Exit only happens when provider chooses to action. Currently, 0.61 per cent of DES caseload¹ have an ESAt referral to another program

1. As of August 2020, this excludes pending and suspended participants
Source: DSS, DES Grant Agreement

Preliminary estimate suggests savings of ~\$5-8m annually in outcome and service fees if all follow-up ESAt referrals were enforced

Using the cohort who undertake 18-Month Reviews as a sample suggests a significant number have had non-DES recommendations months previously

Length of time between non-DES recommended ESAt and corresponding DES 18-Month Review (FY 20)



If the Grant Agreement clause that "the Provider must perform a Provider Exit of the Participant" when an ESAt has suggested "that Program Services are no longer an appropriate service for a Participant" was strictly enforced, ~\$5-8m could be saved annually

1. This does not take into account of suspension time (equivalent to 1,347) of caseload have commenced in DES but have referrals to other programs
Source: DSS, BCG Analysis

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Chapter 4 summary: Further opportunities for change

DSS can consider a suite of broader-reaching changes, including:

15. Conduct more extensive data-gathering to inform decision-making. This should consider the extent to which DES achieves outcomes above baseline for different cohorts, and the social value of employment outcomes, as per recommendations in the Mid-term DES Review. This will inform DES eligibility and ESAt design decisions. In addition, gathering data on work hours obtained by DES participants will inform assessments of the accuracy of work capacity decisions;
16. Reconsider ESAt policy in the context of broader DES re-design. The Mid-term Review recommended that a number of changes be made prior to mid-2021, with farther-reaching program re-design implemented when the DES Grant Agreement expires in mid-2023. The ESAt process should be included in this re-design. Options for consideration could include removing the reliance on work capacity as a funding mechanism. However, other programs (jobactive, CDP) would presumably continue to rely on work capacity assessments, complicating any such change.

Note that a number of issues relevant to effective ongoing management of ESAts were not investigated in detail as part of this review. This includes participant experiences, the balance of in-person interviews vs telephonic or other channels, and variations in ESAt effectiveness across geographies. The Department should continue to actively manage ESAts with respect to these and other issues going forward.

DES Review recommended consistent, systematic gathering of additional data, which would enable more effective decision-making on ESAts and eligibility

Several critical questions would be better informed by additional data-gathering

Theme	Question	Possible data	Data collected?	DES Review recommendation?
ESAt triggers <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> Design of triggers closely linked to question of which cohorts should be eligible for DES </div>	What would be the baseline employment outcome rates in the absence of DES?	Survey participants who obtain employment outcomes ("Is your employment attributable to your DES provider?")	No. Note similar data collected for jobactive	Recommendation 18. The Department should conduct regular surveys of program participants to assess extent that DES participation improves ability to obtain employment outcomes... Recommendation 19. The Department should regularly estimate the extent to which DES outcomes are an improvement above baseline.
	How should the benefits of achieving employment be defined?	Aggregated impacts on wellbeing, life outcomes, income supports... (by cohort)	No	Recommendation 22. To further aid assessment of program performance, the Department should perform a quantitative assessment of the benefits of employment outcome achievement as a function of individual characteristics (age, experience, location, etc).
	Which cohorts benefit most from participation in DES?	Combine observed employment rate improvements over baseline with benefits of employment (by cohort)	No	
	How much should the Commonwealth spend to support a given individual into employment?	Consequence of above estimates.	No	Recommendation 1. As a general principle, DES should target cohorts where the impact of assistance (compared to baseline outcomes) will be greatest, and seek maximum possible benefit for every dollar spent.
ESAt accuracy	Do work capacity assessments align with hours eventually worked by participants?	One-off or ongoing survey of employment outcomes (hours worked per week)	No	Not addressed by DES Review. ESAt Review recommends that the Department conduct the suggested surveys at regular intervals (e.g. six monthly) to aid assessor calibration.

Note: Phrasing of recommendations adjusted for brevity.
 Source: 2020 Mid-term DES Review, BCG analysis

Possible future changes to DES design could substantially impact design and function of ESAts

DES Review recommended head-to-toe program redesign

- Current DES Grant Agreement expires mid-2023
- Opportunity to substantially change program in coming years, ready to implement on grant expiry
- DES Review recommended including all aspects of program in re-design (eligibility, incentives, performance management...)



- Re-design could at least potentially have significant implications for DES's dependency on ESAts
- For example: a shift to alternative remuneration models for providers, based on e.g. payments for total hours worked, would reduce the need for work capacity assessments, by eliminating "full" and "pathway" outcomes
- However:
 - Other programs would likely still require work capacity assessments, e.g. CDP, jobactive
 - Some ongoing measure of severity of disability, judged qualitatively via interview, would almost certainly still be required
- Such issues highlight the complexity and care that must be taken with any DES re-design

Ongoing monitoring and management of ESAts required to ensure efficacy and efficiency

Various other concerns were raised during research for this Review. This includes:

- Participant experience. Recent research by Services Australia noted that for some participants, disclosing medical conditions (such as mental illness) to an ESAt assessor may be stressful or difficult, whether due to perceived stigma, cultural differences, or other reasons;
- Use of non-F2F channels:
 - Particularly following COVID, the reliance on telephony to conduct ESAts was seen as a concern by some interviewees, as a potential additional barrier to effective information-sharing;
 - Previous research has suggested that ESAts conducted by telephone continue to produce satisfactory results. However, ensuring that, at a minimum, a videoconferencing option is available may help balance overall program efficiency with the need to ensure a meaningful connection between assessors and participants.
- Regional variation. Experiences with ESAts for a CDP participant in a remote area may differ substantially from a DES participant in metro Sydney. Interviewees from the NIAA, for example, suggested that in remote regions there may be a greater tendency to over-estimate, rather than under-estimate, participant work capacity, partly due to the reasons outlined above.

These issues were not investigated in detail as part of this Review. However, the Department should continue to actively monitor and manage these topics, among others, going forward.

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Chapter 5 summary: Implementation and impact assessment

This Review's recommendations are aimed at ensuring the scarce specialist resources are targeted to those more in need of specialist support. This is particularly important given the impact of COVID-19 on unemployment rates.

In addition, the changes will reduce the work effort required by Services Australia assessors, DES caseload and DES expenditure:

- Removing the DES 18-Month Reviews is expected to increase DES caseload by approximately 500 and costs by approximately \$3.0m/year, while reducing assessor work effort by approximately 7 per cent or \$3.1m;
- Changes to ESAt decision making criteria and quality assurance processes are expected to reduce the number of referrals to DES. However, quantifying this impact is difficult. As an example, a reduction in DES referrals of 2-7 per cent would reduce DES program expenditure by \$25-90m in 2022-23.

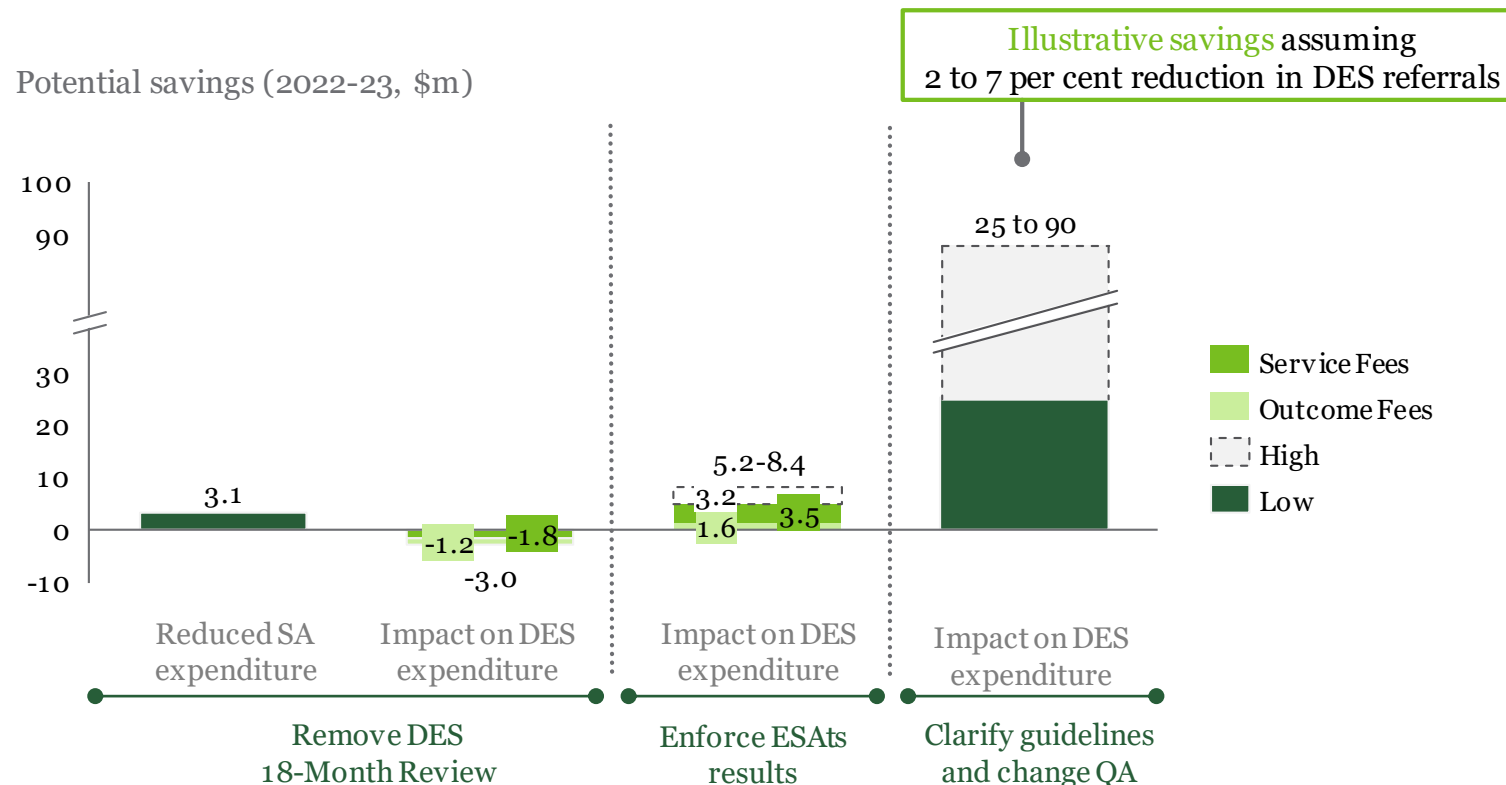
To realise these changes, the Department should incorporate best practices from behavioural economics, including testing changes prior to implementation and reinforcing them through feedback.

Each of the Review's recommendations will require approvals and consultation with a range of stakeholders, including DSS, Services Australia, DESE, NIAA, Government and DES providers. Detailed design and implementation should consider the complex interactions between assessments and employment programs, including the impact on minority groups.

Design work on the first set of changes (JSCI, 18-Month Review, ESAt guidelines) should start immediately, targeting full implementation by 1 April 2021. Later in 2021, the Department should proceed with medium-term improvements to the QA process and consider longer-term changes as part of broader reform to DES.

Recommended changes will have some impact on spend, but exact range is uncertain

Potential cost implications for removing 18-Month Review, enforcing Grant Agreement clauses regarding ESAts, clarifying DES referral criteria and changing QA processes



Potential savings is uncertain, depends on degree of change and strength of behavioural response

- Potential savings are inherently uncertain but can be firmed up through testing
- Changes to guidelines alone are likely to result in low, single digit changes in referral rates as they will likely still retain a degree of subjectivity
- Behavioural feedback can have a large impact, as people dislike being identified as outliers, however the strength of this response is uncertain

Changes could reduce DES referrals by 2 to 7 per cent, depending on degree of change




2 to 7%

Reduction in DES referrals from changes to guidelines and QA

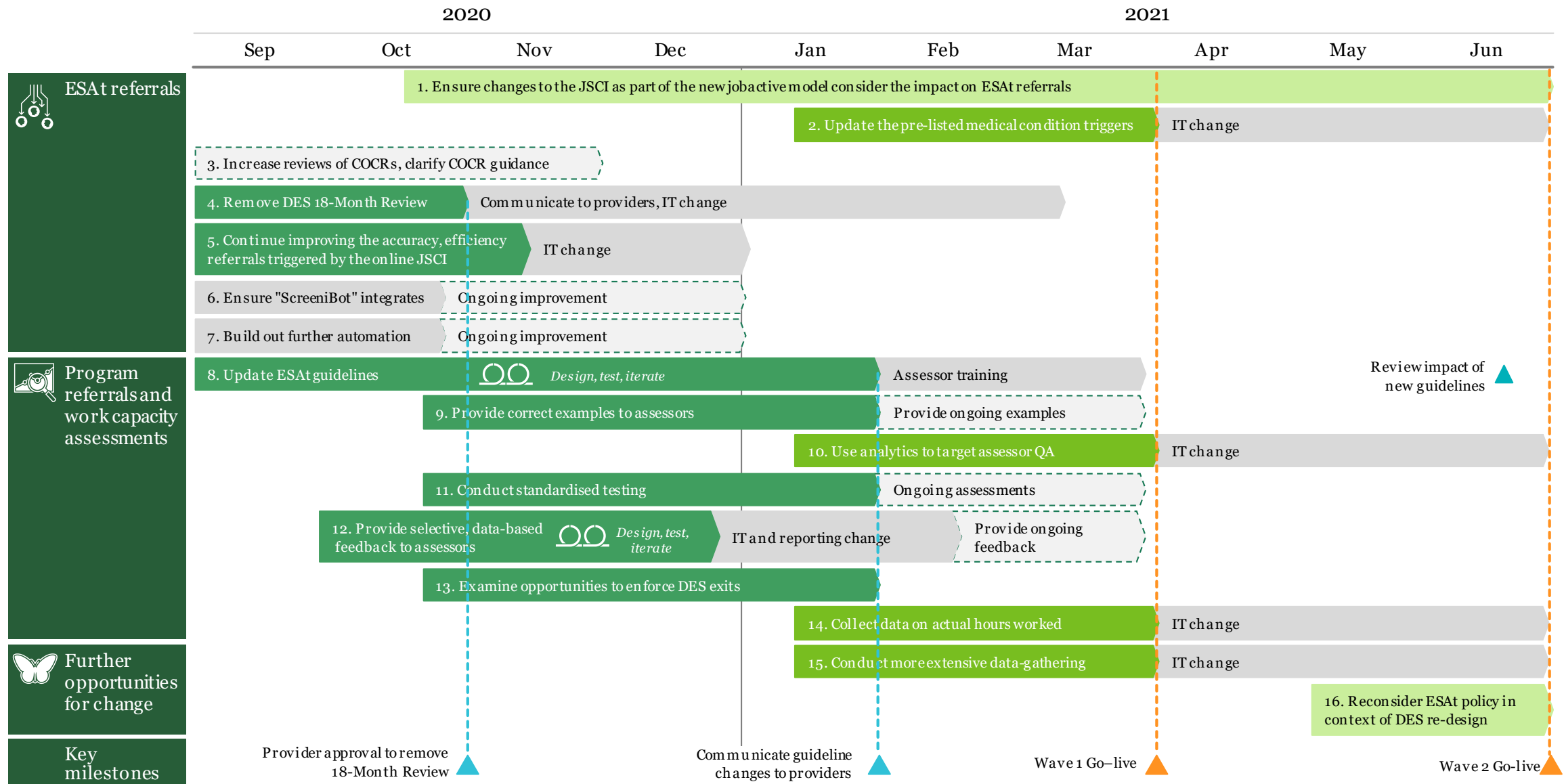
Range of impact should be determined through testing

- 1 **Research** shows behavioural changes can lead significant, but variable changes in outcomes (see back-ups)
- 2 By comparison, **regression results** shows participants are 2.3 per cent more likely to be referred to DES for every decade increase in age. This indicates a reduction in this factor (or similar) is likely to result in a small reduction in DES referrals)

Approvals and consultation needed across Government

Recommendation		DSS	Services Australia	DESE	NIAA	Government	Providers	IT Change
 Referrals (triggers and triaging)	01 Ensure changes to the JSCI as part of the new jobactive model consider the impact on ESA ^t referrals	✓	✓	✓	✓			
	02 Update the pre-listed medical condition JSCI triggers	✓	✓	✓				
	03 Increase reviews of COCRs and clarify COCR guidance		✓					
	04 Remove DES 18-Month Review	✓	✓			✓	✓	✓
	05 Continue improving the accuracy and efficiency of ESA ^t referrals triggered by the online JSCI	✓	✓	✓	✓			✓
	06 Ensure "Screeni Bot" is effective and integrates well	✓	✓	✓	✓			✓
	07 Build out complementary automations for ESA ^t booking and report writing			✓	✓			✓
 Program referrals and work capacity assessments	08 Update ESA ^t guidelines to be clearer and have more specific criteria	✓	✓	✓	✓			
	09 Provide more examples of correct decisions	✓	✓	✓	✓			
	10 Use analytics to target assessor quality assurance	✓	✓	✓	✓			✓
	11 Conduct standardised QA testing using file assessments	✓	✓	✓	✓			✓
	12 Provide selective, data-based feedback to assessors to address potential bias	✓	✓	✓	✓			✓
	13 Collect data on actual hours worked to inform training	✓	✓				✓	✓
	14 Examine opportunities to enforce Grant Agreement clauses regarding DES exits following alternate program referral	✓						
 Further opportunities for change	15 Conduct more extensive data-gathering	✓	✓					✓
	16 Reconsider ESA ^t policy in context of DES re-design	✓	✓	✓	✓	✓		✓

Implementation plan



Provider approval to remove 18-Month Review

Communicate guideline changes to providers

Wave 1 Go-live

Wave 2 Go-live

Review impact of new guidelines

Wave 1 design | Wave 2 design | Long term design | Implementation | Go-live | Other milestones

Immediate next steps



Changes to program guidelines

- 1 By 15 September 2020, complete the **mobilisation** phase, including:
 - Standing up a dedicated team with DSS to implement changes to guidelines
 - Agreeing the scope of changes
 - Developing the project plan
- 2 By 30 November 2020, draft **minimum viable product** of changes to the ESAt guidelines to test with assessors. This should include:
 - Collaborating with Services Australia, the NIAA, DESE and other stakeholders
 - Working with BETA to draft changes using clear behavioural language
 - Obtaining guidance from BETA on how to test and iterate these with assessors
 - By 23 December, complete initial testing of new guidelines with assessors
- 3 By 31 January 2020, **finalise new guidelines** and update the operational blueprint
- 4 By 1 April 2021, complete assessor training and **launch the new ESAt guidelines**

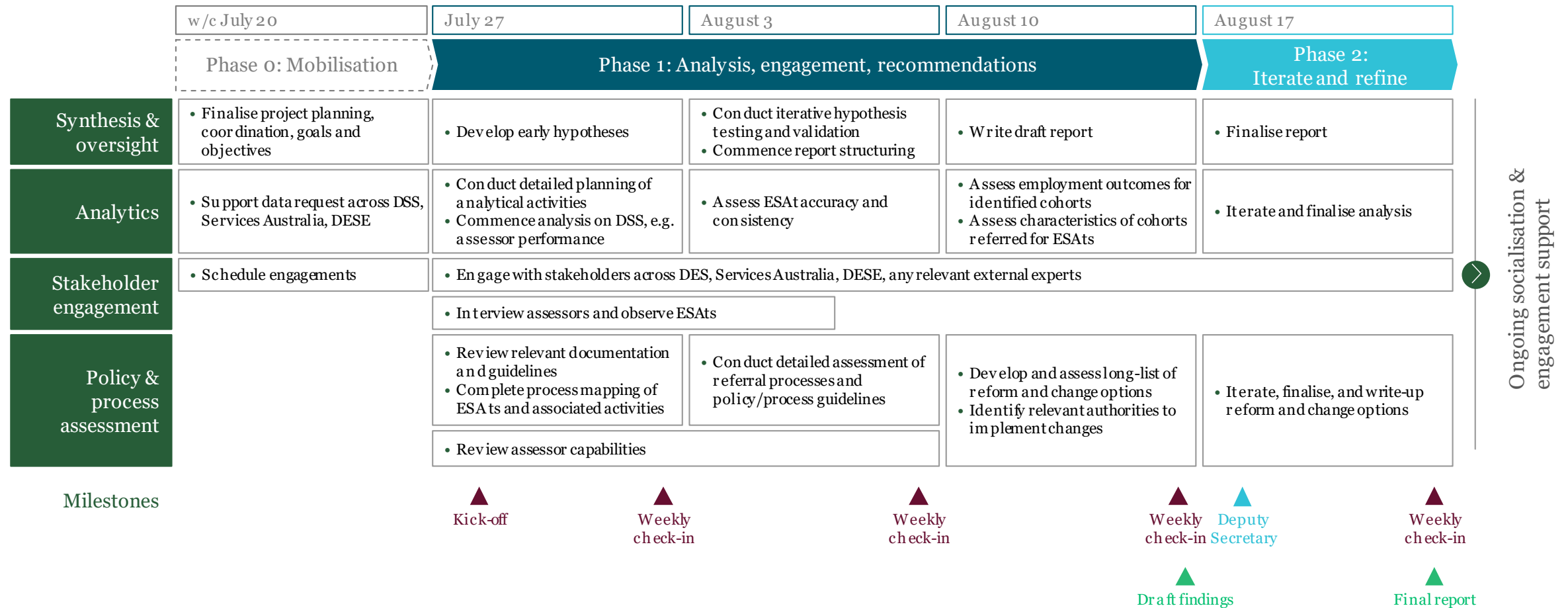
Other changes

- 5 By 31 October 2020, obtain **provider approval** to remove the DES 18-Month Review
- 6 By 15 November 2020, **test the provision of data based feedback** on ESAt outcomes to assessors (and their supervisors)
- 7 By 15 November 2020, finish designing improvements to the **process for ESAt referrals** resulting from the online JSCI, for implementation in January 2021
- 8 By 31 March 2021, implement high priority **changes to the QA process** (feedback, standardised testing)
- 9 By 30 June 2021, start conducting **targeted QA** based on analytics, update the **ESAt triggers** list and **collect additional data**

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The ESAt Review was completed in four weeks over July and August 2020



Ongoing socialisation & engagement support

Backup: DES recommendations require assessor judgement on whether conditions "substantially" impact employment



ESAt guidelines for recommendation to employment services

Employment Service	Medical conditions	Other barriers	Support requirements	Work capacity	Other
 Streams A & B	<ul style="list-style-type: none"> Yes, if medical conditions don't impact ability to find employment 	<ul style="list-style-type: none"> Minimal to medium support to overcome barriers Consider other services if barriers are present 	<ul style="list-style-type: none"> No minimum requirement Job seekers may have short term support requirements 	<ul style="list-style-type: none"> May have a reduced work capacity Work capacity less than 15 hours may volunteer 	<ul style="list-style-type: none"> Stream Services job seekers are considered to be comparatively job ready (noting varying degrees of barriers)
 Stream C	<ul style="list-style-type: none"> May have unstable conditions which significantly impact ability to find employment 	<ul style="list-style-type: none"> Must have multiple and or complex non-medical barriers 	<ul style="list-style-type: none"> No identified employment support requirements 	<ul style="list-style-type: none"> May have a reduced work capacity Work capacity less than 15 hours may volunteer 	<ul style="list-style-type: none"> Primary focus on addressing complex non-medical barriers Participants not job ready until barriers addressed
 Disability Employment Service (DMS or ESS)	<ul style="list-style-type: none"> Temporary or permanent disability, illness or injury Condition results in substantially reduced capacity to obtain or retain open employment 	<ul style="list-style-type: none"> Sufficiently stabilised for participant to benefit from DES Not suitable for jobseekers requiring long term assistance, or with multiple or complex non-medical barriers 	<ul style="list-style-type: none"> DES participants receive 26 weeks post-placement support May require ongoing support to maintain employment 	<ul style="list-style-type: none"> "With intervention" work capacity above 8 hours per week or 8+ with DES on going support) 	<ul style="list-style-type: none"> Requires specialist assistance to gain or retain employment and/or to build capacity to work to their assessed future work capacity
 Australian Disability Enterprises	<ul style="list-style-type: none"> Severe medical conditions 	<ul style="list-style-type: none"> Severe medical barriers 	<ul style="list-style-type: none"> Requires a supported work environment 	<ul style="list-style-type: none"> "With intervention" work capacity of 0-7 hours in open employment, but 8+ hours in a supported work environment 	<ul style="list-style-type: none"> May require specialist assistance to gain employment
 Unable to benefit	<ul style="list-style-type: none"> Severe medical conditions 	<ul style="list-style-type: none"> Severe medical barriers 	<ul style="list-style-type: none"> Unable to work more than 8 hours (with support) 	<ul style="list-style-type: none"> "With intervention" work capacity of 0-7 hours per week 	<ul style="list-style-type: none"> Not suitable for ADEs or DES with ongoing support

Note: Referral to CPD is based on geographic location only
 Source: ESAt JCA Guide to Determining Eligibility and Suitability for Referral to Employment Services

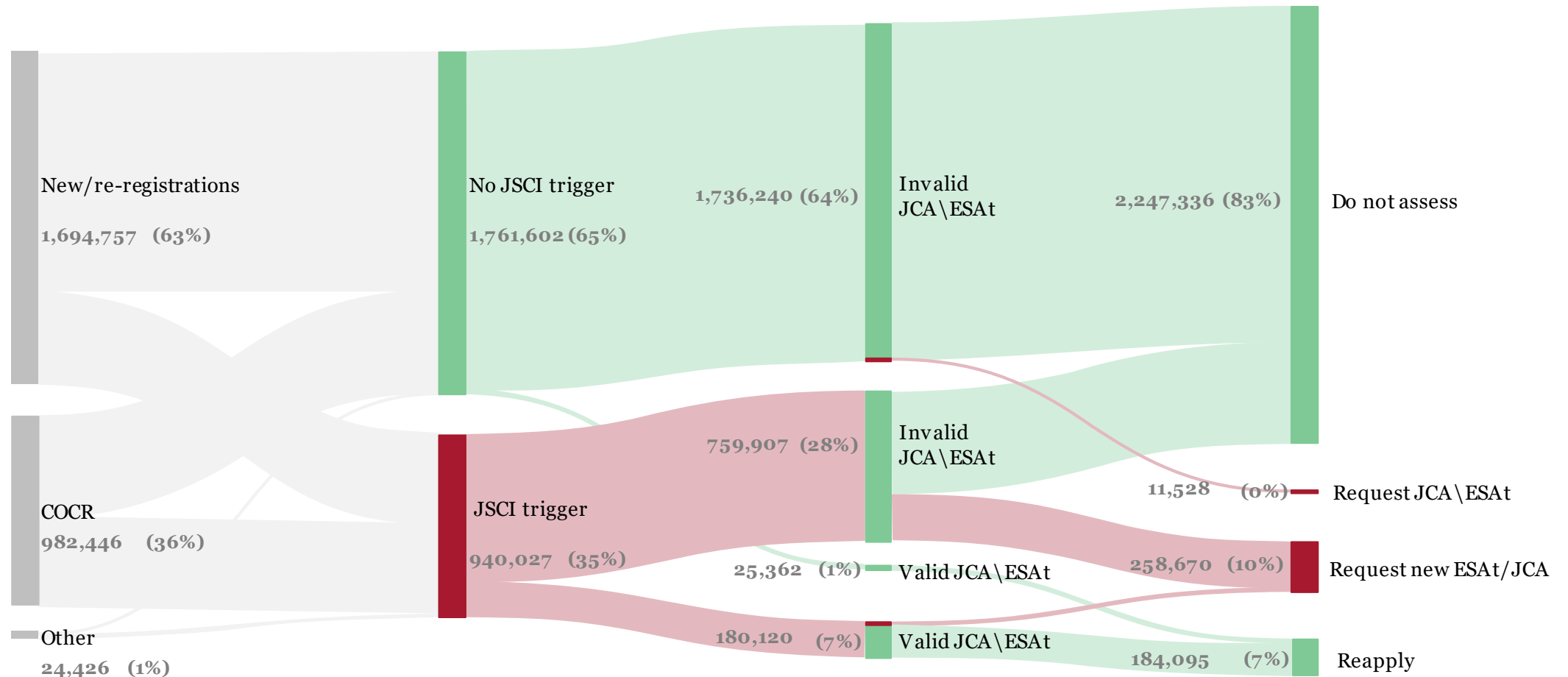
Backup: ESAts also recommend whether participant is streamed into DES-ESS or DES-DMS

ESAt guidelines for recommendation to employment services

Employment Service	Medical conditions	Other barriers	Support requirements	Work capacity	Other
 Disability Management Service (DMS)	<ul style="list-style-type: none"> • Temporary or permanent disability, illness or injury • Condition results in substantially reduced capacity to obtain or retain open employment 	<ul style="list-style-type: none"> • Sufficiently stabilised for participant to benefit from DES • Not suitable for jobseekers requiring long term assistance, or with complex or multiple non-medical barriers are not suitable 	<ul style="list-style-type: none"> • Participants require less than 6 instances of ongoing support per 6 months, or have unclear requirements • Participants who require "personal care" are not eligible for DMS 	<ul style="list-style-type: none"> • "With intervention" work capacity above 8 hours per week 	<ul style="list-style-type: none"> • Requires specialist rehabilitation assistance to gain or retain employment and/or to build capacity to work to their assessed future work capacity
 Employment Support Service (ESS)	<ul style="list-style-type: none"> • Permanent disability, illness or injury • Condition requires ongoing support to stay in open employment 	<ul style="list-style-type: none"> • As per DMS 	<ul style="list-style-type: none"> • Participants require at least 6 instances of ongoing support per six months 	<ul style="list-style-type: none"> • "With intervention" work capacity above 8 hours per week (incl. 8+ with DES Ongoing Support) 	<ul style="list-style-type: none"> • Require specialist assistance to build capacity to assist jobseekers to work to their assessed future work capacity

Approximately 10 per cent of JSCIs result in an ESAt/JCA referral

Observed flow of JSCI to ESAt referral (FY19-20)



Note: Not all ESAts are triggered through JSCIs
 Source: JSCI Data, BCG Analysis

Interpretation of results: Program recommendation and work capacity regressions

Interpretation of coefficients

- A logistical regression has been used to estimate the probability of a participant being recommended into DES, based on a range of characteristics
- Coefficients from this logistic model have been converted to be expressed as incremental changes in probability, for individuals for whom there would otherwise be a 50 per cent change of being recommended into DES
- All categorical variables have a reference category. The reference category is the "missing" category in the x-axis (e.g. the reference category for gender is female)
- For continuous variables such as age and months unemployed the coefficient is interpreted as incremental changes. Age is expressed in units of decades, months unemployed in 6 month increments, and time spent on Stream in years.
- For example, an incremental probability of 5 per cent implies that:
 - For binary variables, observing the variable given would be associated with a change in the estimate of the probability of being streamed into DES from 50 to 55 per cent
 - For continuous variables, a one-unit increase (e.g. one decade) would result in an equivalent increase in probability
- A similar model was used to calculate the incremental likelihood of being assessed as low work capacity.

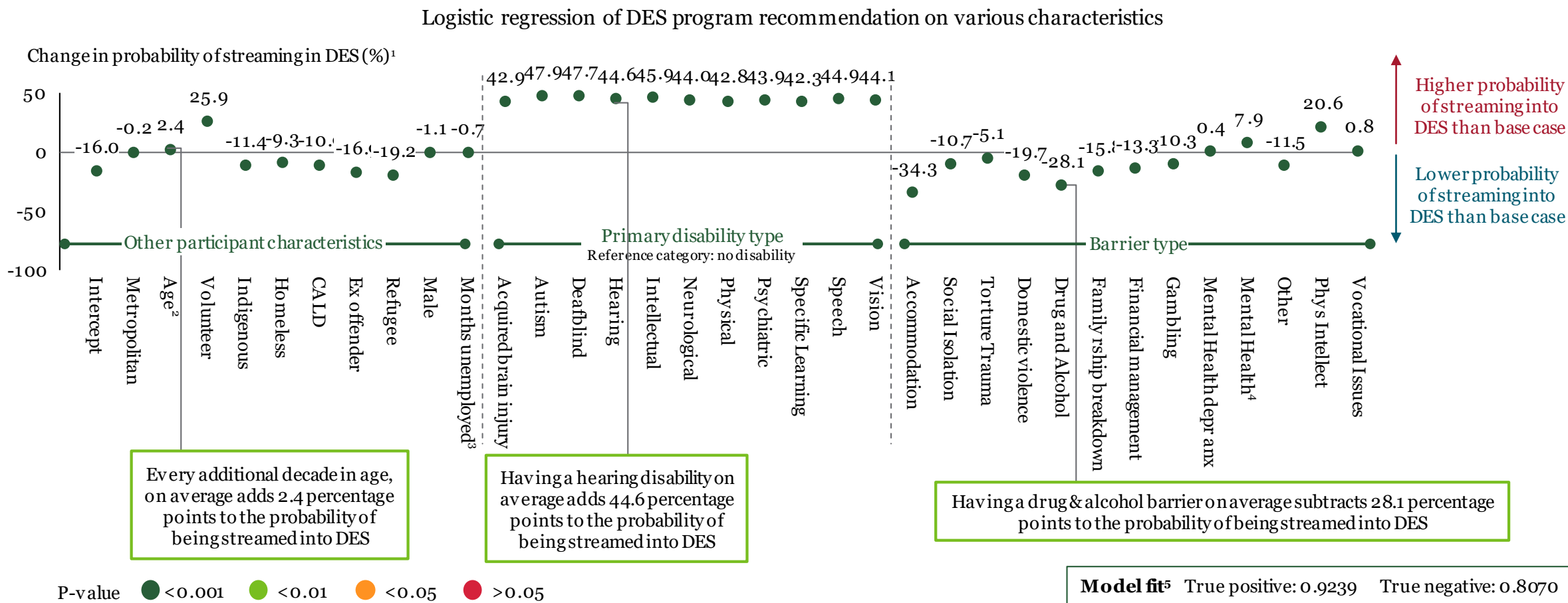
Interpretation of significance

- Statistical significance is, speaking roughly, the probability of observing the data given, if the true value of the coefficient governing the statistic relationship between the variables was zero
- In the following pages, variables that are flagged as insignificant do not appear to have a statistical relationship with DES streaming decisions.

Interpretation of model fit

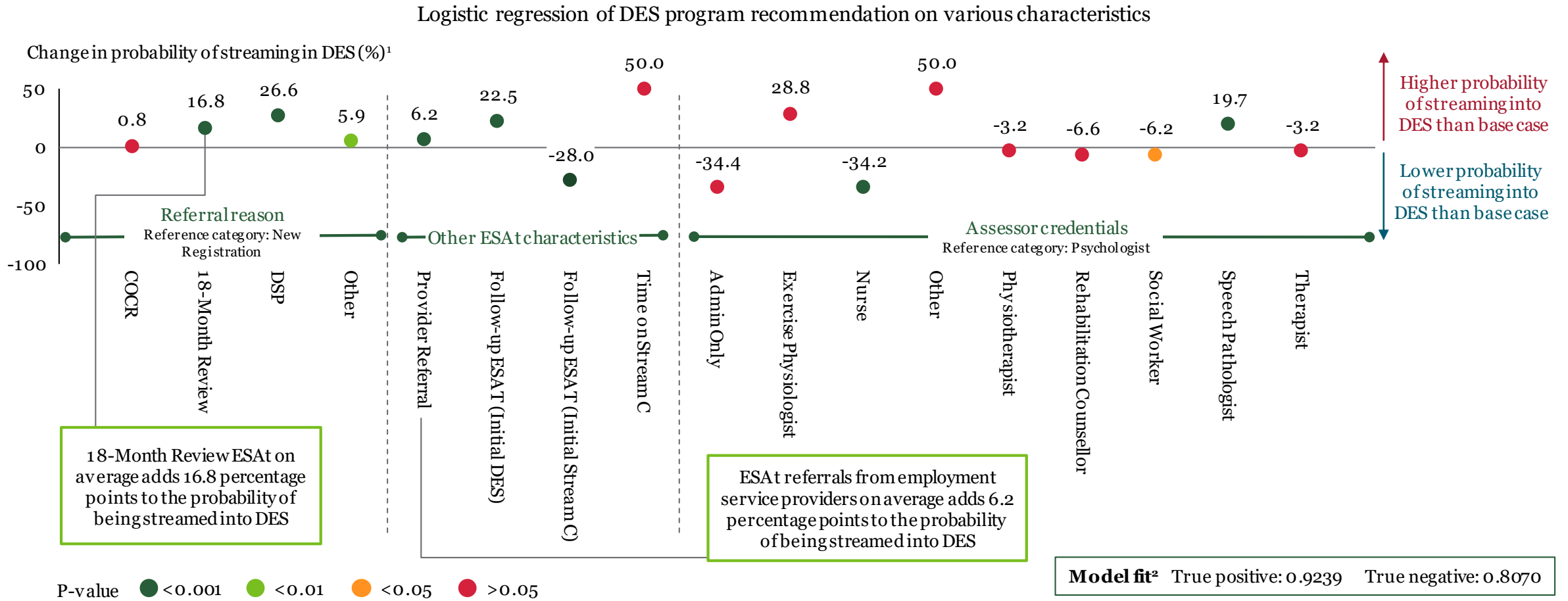
- True positive and true negative rates are measurements of well the model can predict the observed outcomes:
 - The true positive rate measures the proportion of "positive" results (e.g. recommending DES or low work capacity) that were correctly identified
 - Likewise, the true negative rate measures the proportion of negative results that were correctly identified
- Values closer to "1" suggest better performance. A positive prediction is taken as all those where the model's assigned probability was greater than 50 per cent
- Note that no out-of-sample predictions were made, a step that would be necessary to calibrate model performance before e.g. using a similar approach to support QA

Program | Deep-dive: regression results for participant characteristics



1. Incremental percentage change from deviating from the reference category assuming all other variables are kept constant. 2. Age has been converted to decades 3. Months has been converted to 6 months intervals 4. Anxiety & depression. 5. True positive is the ability of the model to correctly identify those referred to DES, whereas true negative is the ability of the model to correctly identify those not referred to DES. Note: n= 1.23m, only ESA outcomes for DES DMS, DES ESS and Stream C have been included in this analysis
Source: DSS; BCG analysis

Program | Deep-dive: regression results for non-participant characteristics

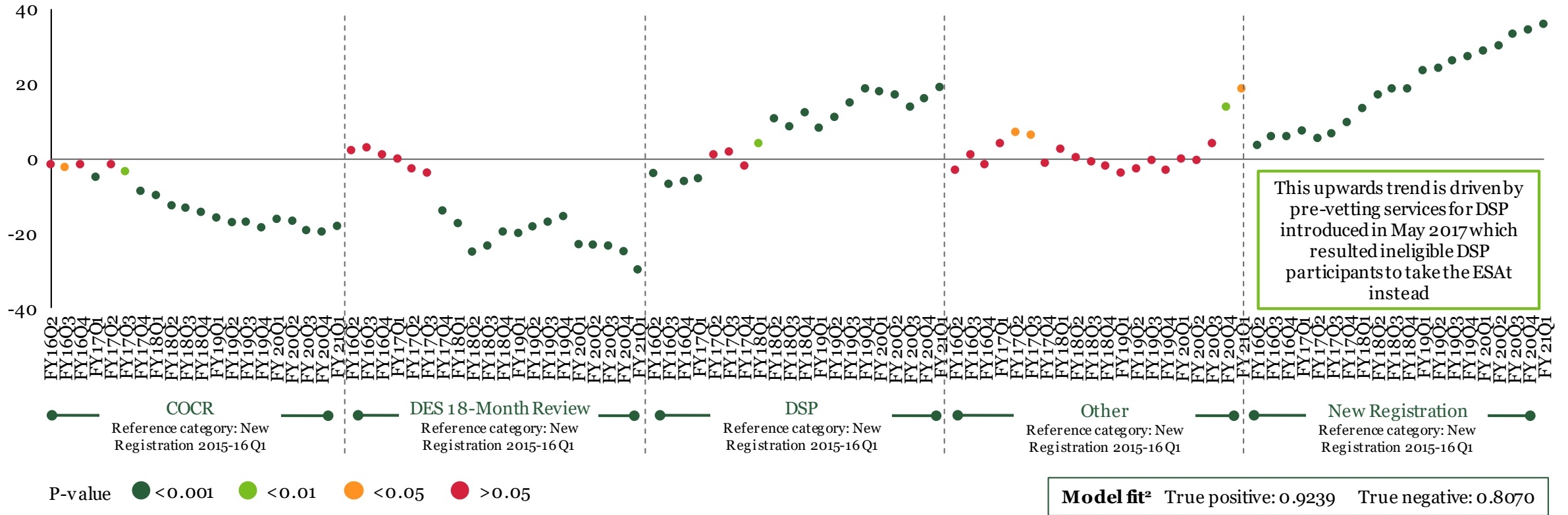


1. Incremental percentage change from deviating from the reference category assuming all other variables are kept constant. 2. True positive is the ability of the model to correctly identify those referred to DES, whereas true negative is the ability of the model to correctly identify those not referred to DES. Note: n= 1.23m, only ESAT outcomes for DES DMS, DES ESS and Stream C have been included in this analysis
Source: DSS; BCG analysis

Program | Deep-dive: regression results for time

Logistic regression of DES program recommendation on various characteristics

Change in probability of streaming in DES (%)¹

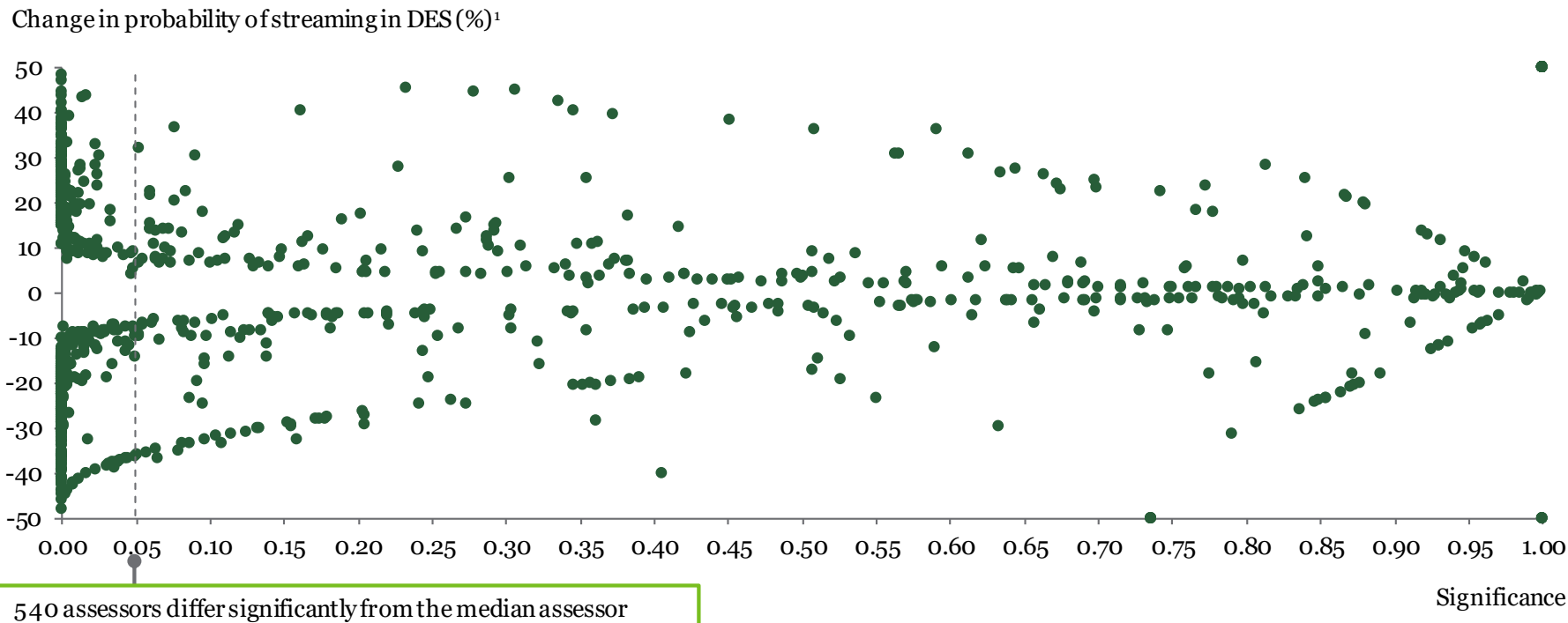


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Source: DSS; BCG analysis

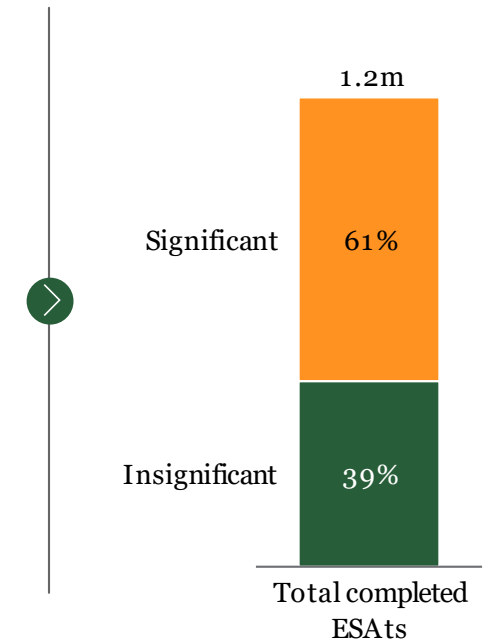
Program recommendation | Deep-dive: substantial variation in size and significance of "assessor effect"

Holding other variables constant, the assessor themselves vary in their likelihood of recommending DES

Distribution of assessor variation in recommending DES



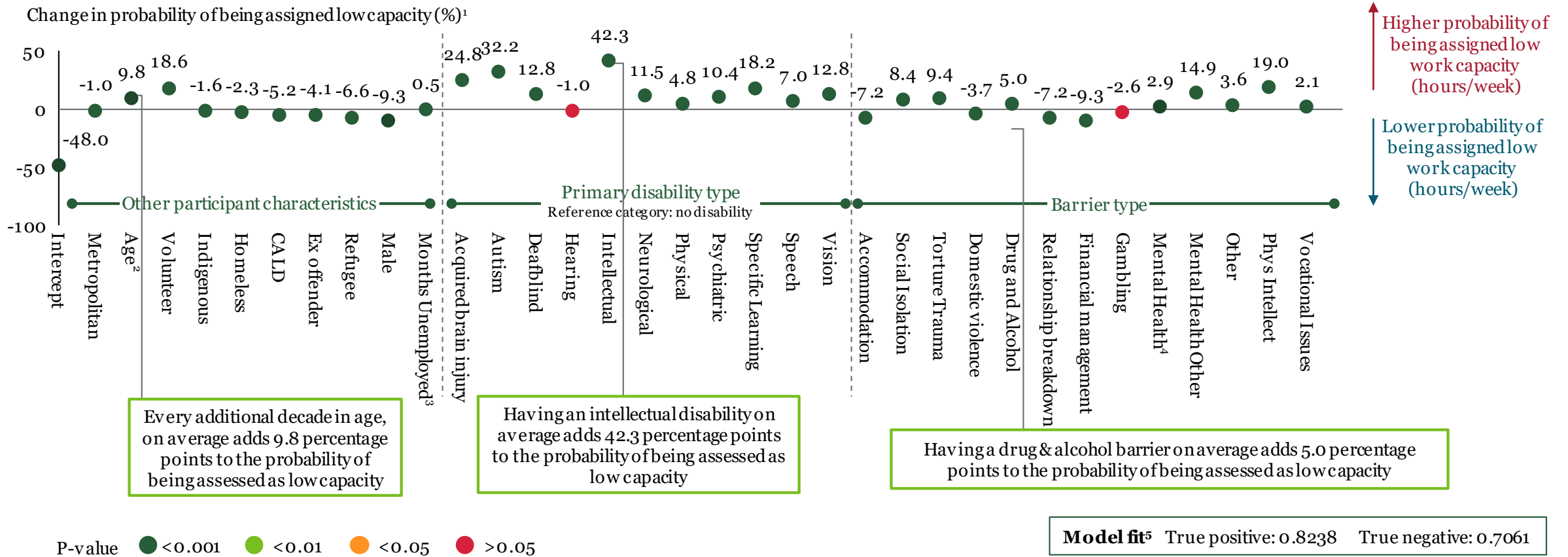
Majority of ESATs conducted by assessor who differed significantly from the median



1. Incremental percentage change from deviating from the median assessor (TB2720) assuming all other variables are kept constant. Note: n=1.23m, with 1,032 unique assessors from 2015-16 to 2019-20. Only ESA outcomes for DES DMS, DES ESS and Stream C have been included in this analysis. Source: DSS; BCG analysis

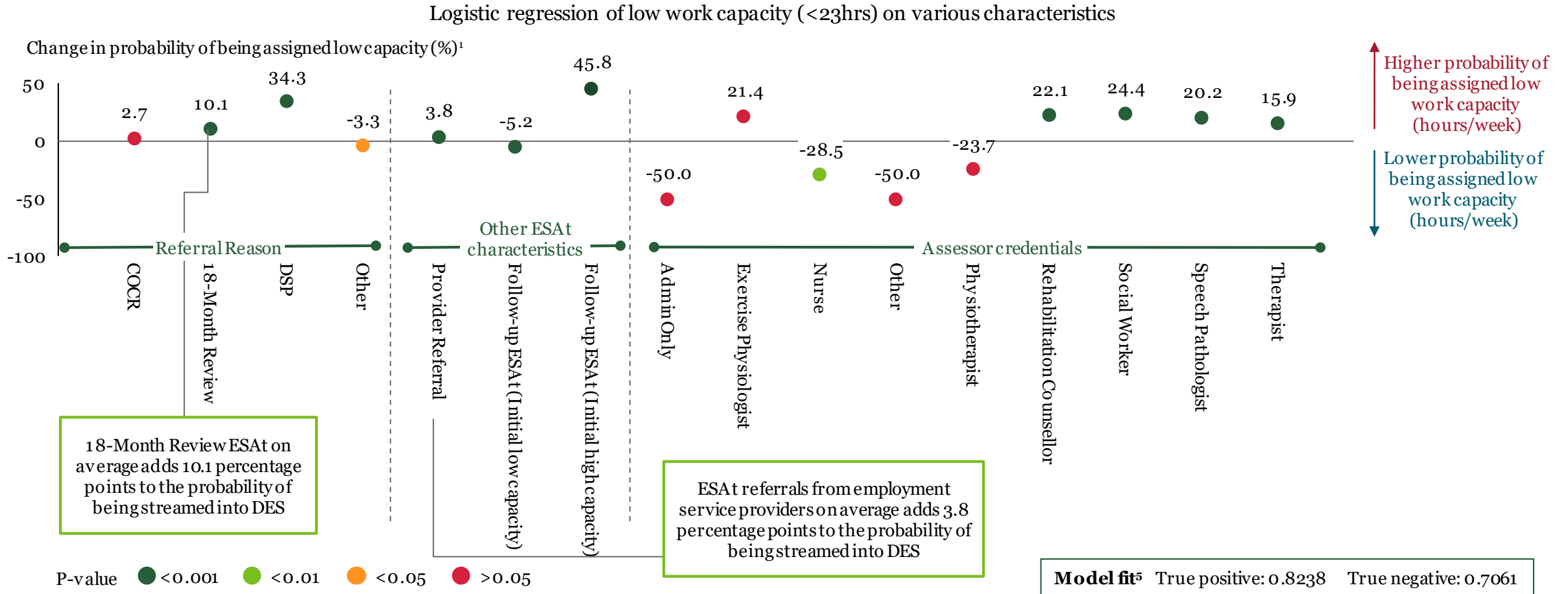
Work capacity | Deep-dive: regression results for participant characteristics

Logistic regression of low work capacity (<23hrs) on various characteristics



1. Incremental percentage change from deviating from the reference category assuming all other variables are kept constant. 2. Age has been converted to decades 3. Months has been converted to 6 months intervals 4. Anxiety & depression. 5. True positive is the ability of the model to correctly identify those assigned low work capacity, whereas true negative is the ability of the model to correctly identify those assigned high work capacity. Note: n = 1.23m, only ESA outcomes for DES DMS, DES ESS and Stream C have been included in this analysis
Source: DSS; BCG analysis

Work capacity | Deep-dive: Regression results for non-participant characteristics

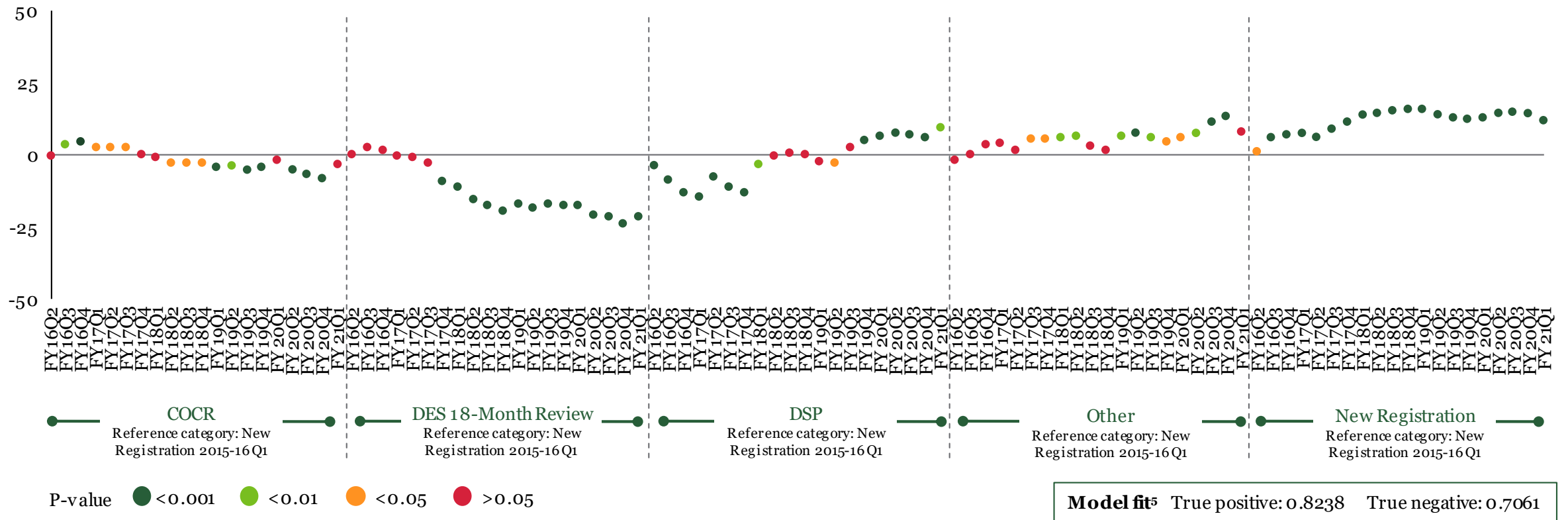


1. Incremental percentage change from deviating from the reference category assuming all other variables are kept constant. 2. Age has been converted to decades 3. Months has been converted to 6 months intervals 4. Anxiety & depression. Note: n=1.23m, only ESA outcomes for DES DMS, DES ESS and Stream C have been included in this analysis
Source: DSS; BCG analysis

Work capacity | Deep-dive: regression results for time

Logistic regression of low work capacity (<23hrs) on various characteristics

Change in probability of being assigned low capacity (%)¹

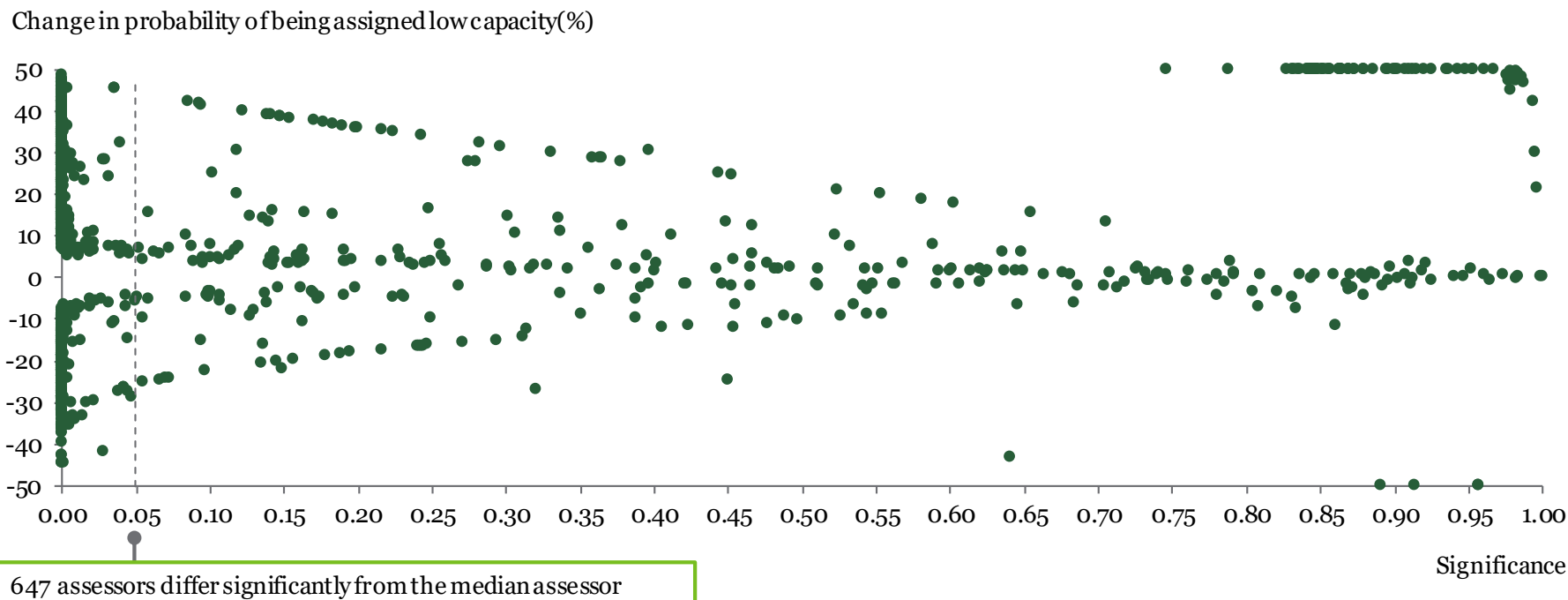


1. Incremental percentage change from deviating from the reference category assuming all other variables are kept constant. 2. Age has been converted to decades 3. Months has been converted to 6months intervals 4. Anxiety & depression. 5. True positive is the ability of the model to correctly identify those assigned low work capacity, whereas true negative is the ability of the model to correctly identify those assigned high work capacity. Note: n= 1.23m, only ESAt outcomes for DES DMS, DES ESS and Stream C have been included in this analysis
Source: DSS; BCG analysis

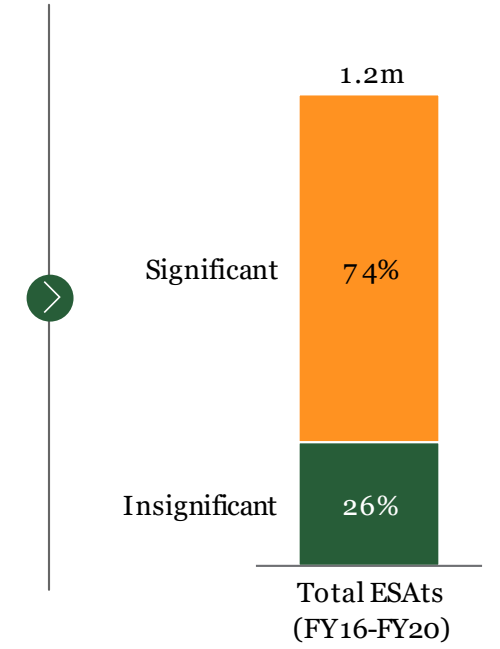
Work capacity | Deep-dive: substantial variation in size and significance of "assessor effect"

Holding other variables constant, the assessor themselves vary in their likelihood in assigning future work capacity

Distribution of assessor variation in assigning future work capacity



Majority of ESAs conducted by assessor who differed significantly from the median

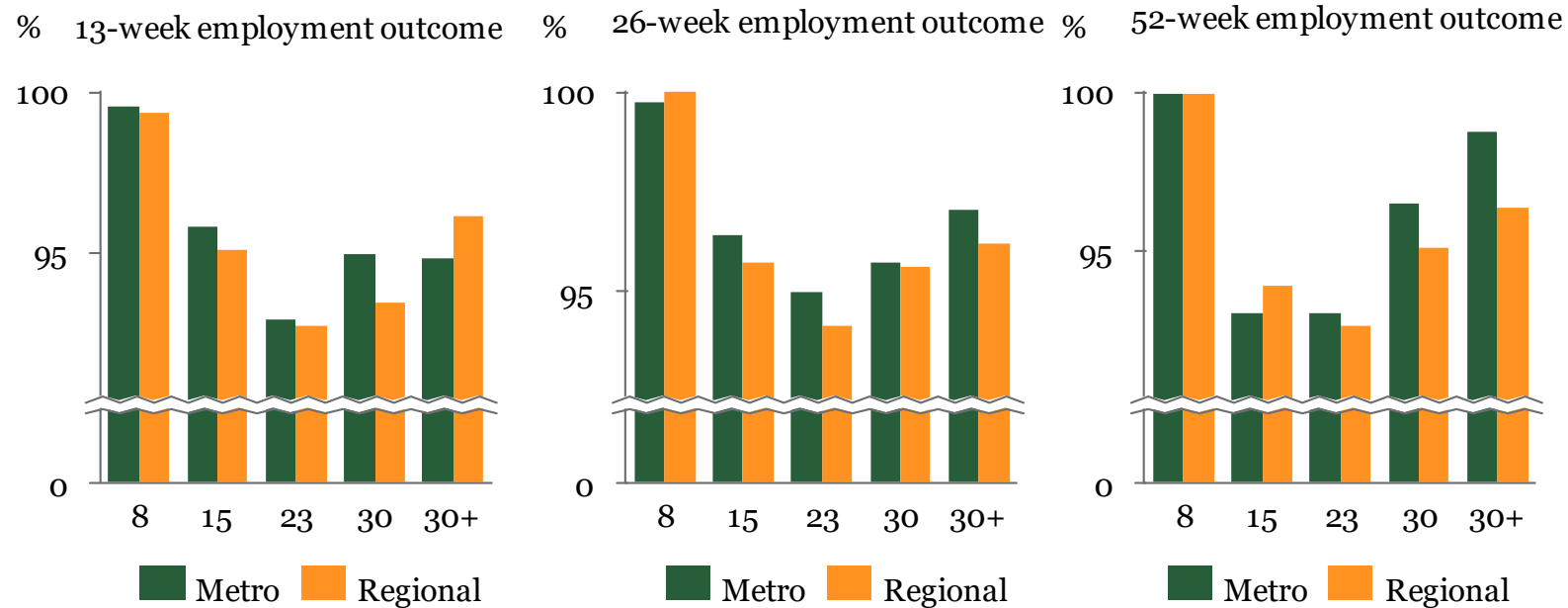


1. Incremental percentage change from deviating from the median assessor (AH0816) assuming all other variables are kept constant. Note: n = 1.23m, with 1,032 unique assessors from 2015-16 to 2019-20. Only ESA outcomes for DES DMS, DES ESS and Stream C have been included in this analysis
Source: DSS; BCG analysis

Minor difference in attainment of full vs pathway outcomes in regional vs metro areas

Regional DES participants who achieve employment outcomes are slightly less likely than metropolitan counterparts to do so at their assessed benchmark hours

Full outcomes as a percentage of all outcome (Mar-19 to Mar-20)



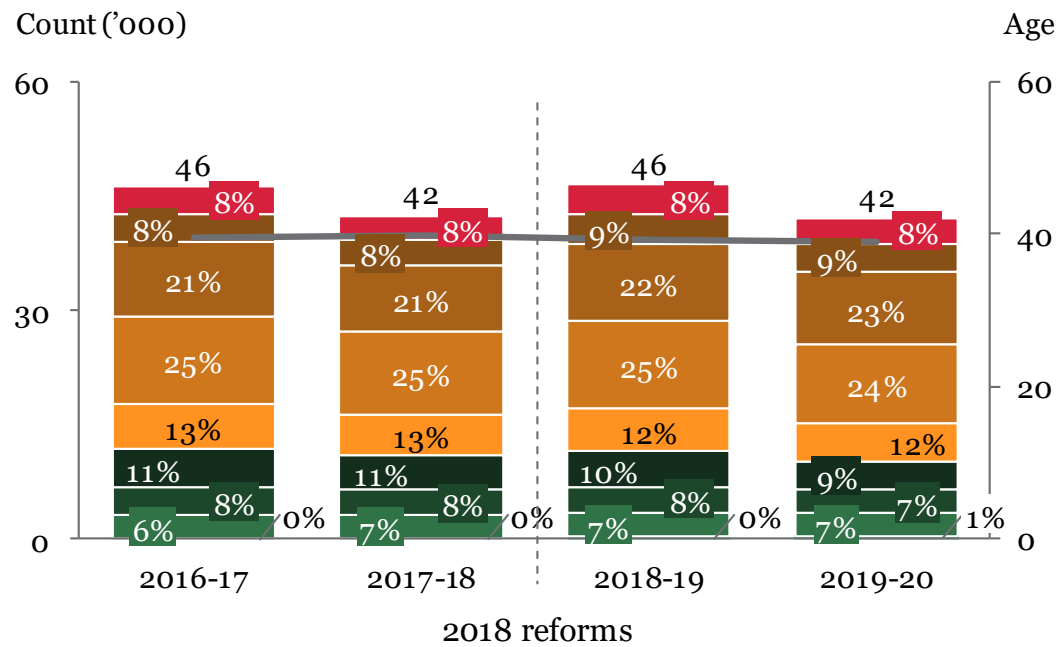
While assessed work capacity could be an accurate reflection of a participant's ability, the availability or seasonality of work in regional areas may make it more difficult for participants to work at or above their benchmark hours

Participants referred to DES are increasingly older, compared to Stream C

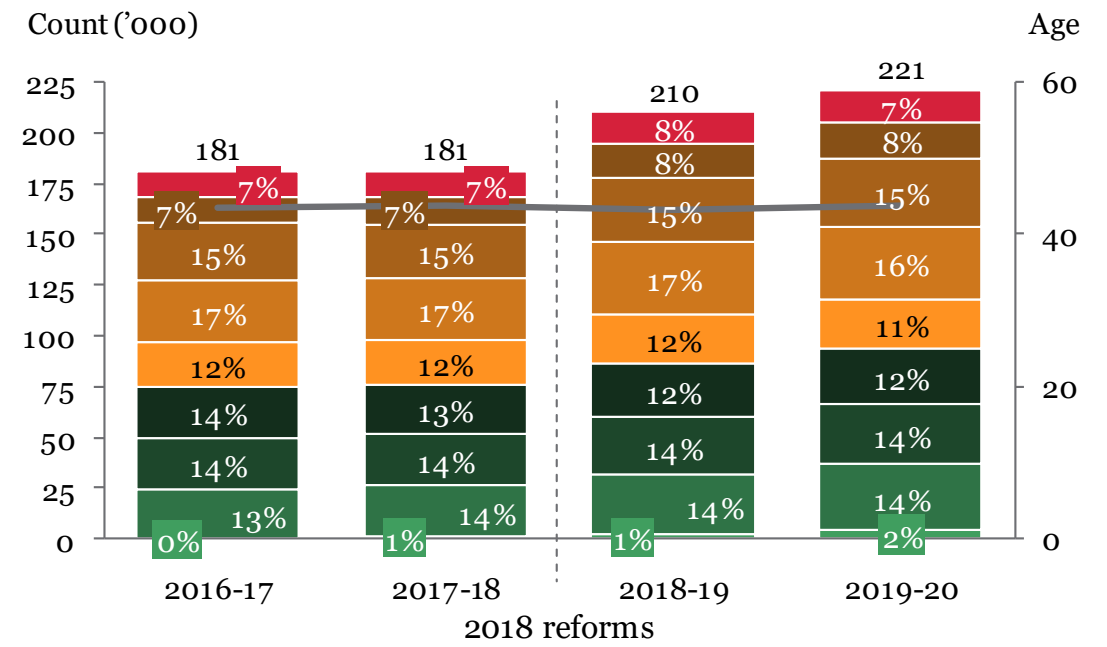
The average age of a participant referred to Stream C has fallen by 0.5 years since 2016-17

The average age of a participant referred to DES has increased by 0.4 years since FY17

Age of participants referred to Stream C



Age of participants referred to DES



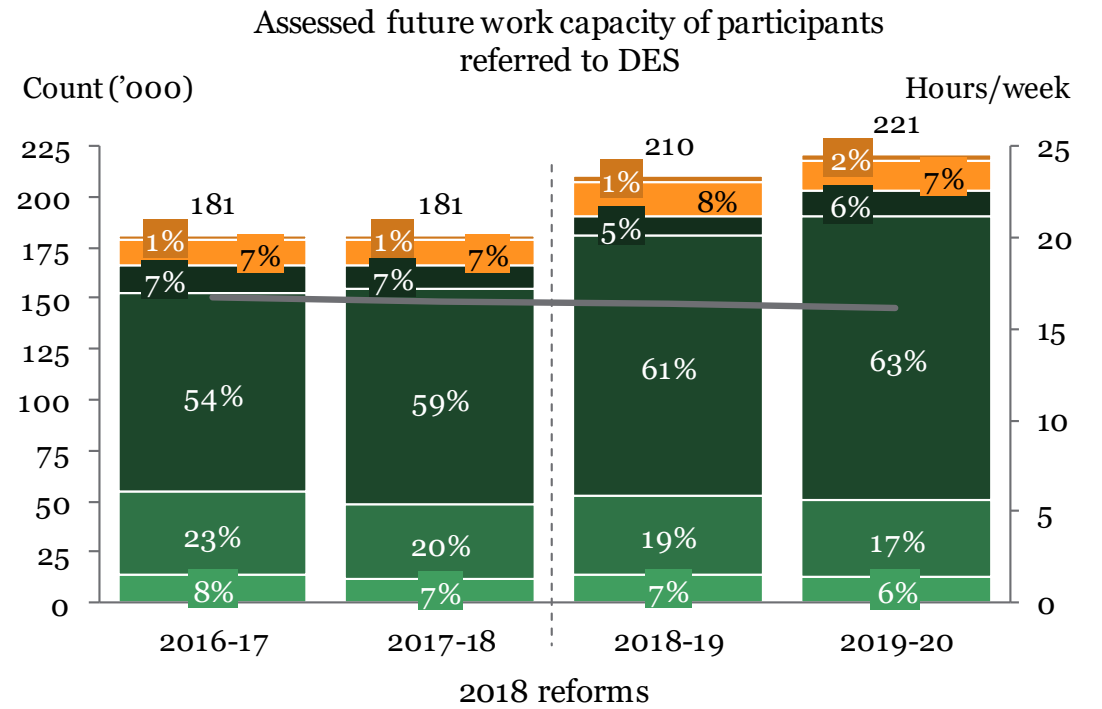
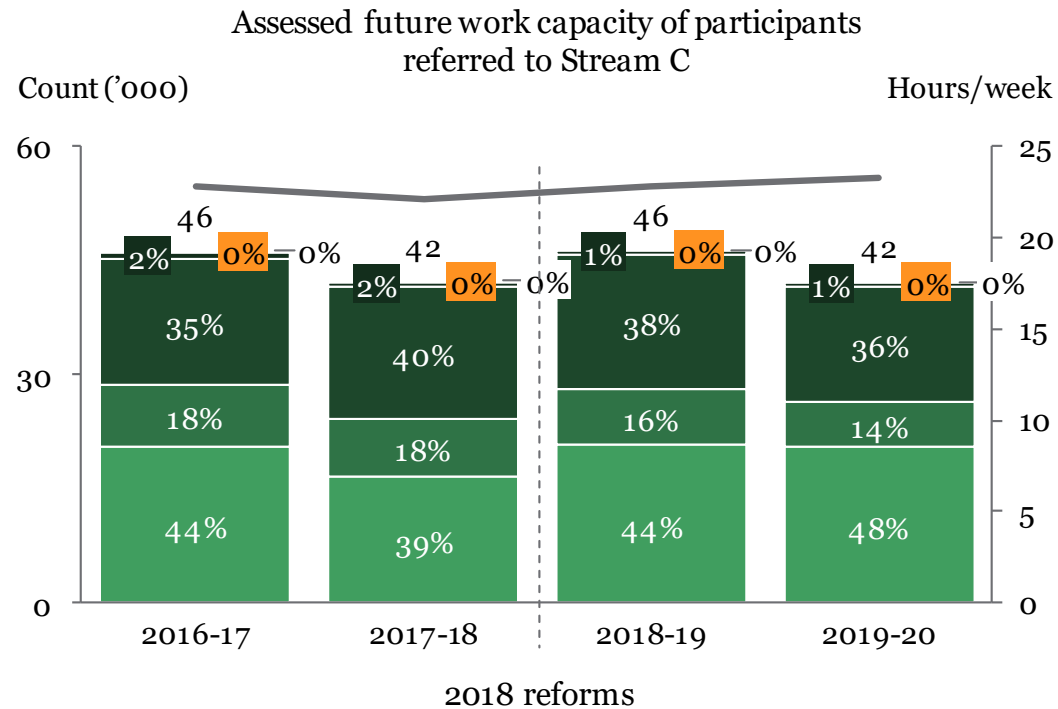
— Average ■ Under 21 ■ 21-24 ■ 25-34 ■ 35-44 ■ 45-49 ■ 50-54 ■ 55-59 ■ 60-64 ■ 65+

Note: Age refers to age at point of referral.
Source: DSS; BCG analysis

Participants referred DES are increasingly assessed as less capable of 23+ hours of work per week than previously

Share of referrals to Stream C assessed as capable of full-time work has remained broadly steady...

...while referrals to DES are increasingly dominated by the 15 – 22 hour bracket, with an overall fall in average hours



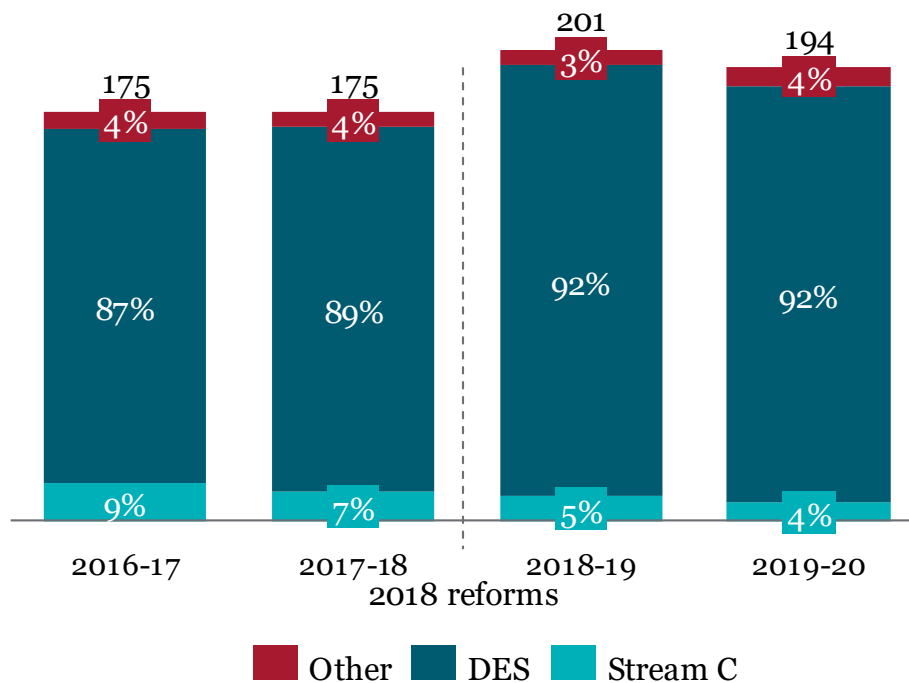
— Average 0-7 8+ 8-14 15-22 23-29 30+

Note: Assumes NA = 30+ capacity. 8+ work capacity category is for DSP participants. Average hours is calculated assuming the lower end of the hours/week range
Source: DSS; BCG analysis

In particular, participants with a disability are increasingly likely to receive program recommendation for DES over Stream C

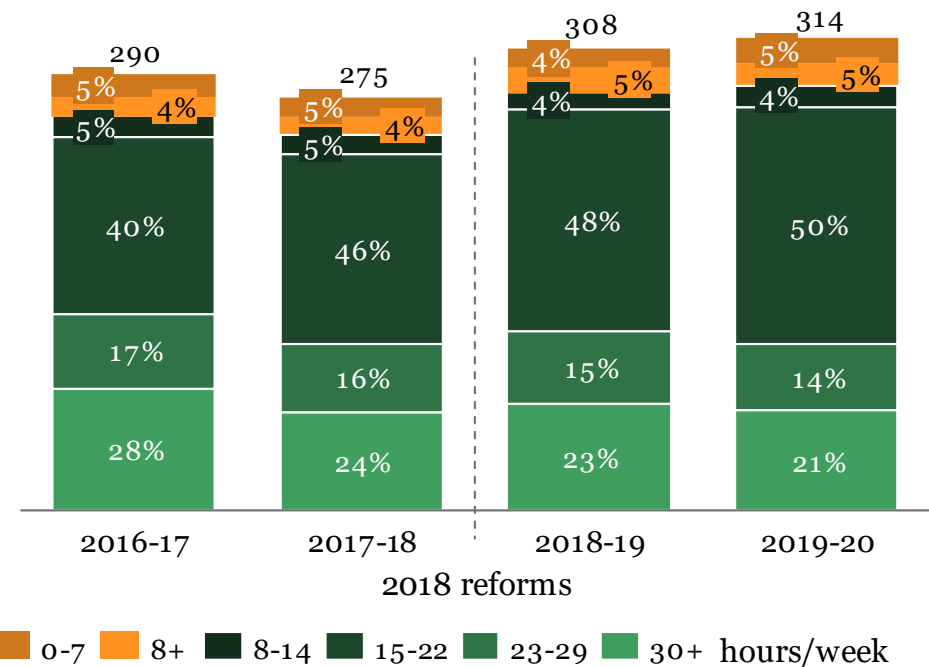
More participants with a disability receive a DES program recommendation...

Program recommendations for participants with an identified primary disability at time of assessment ('000)



...and participants are, on average, receiving lower estimated work capacity

Future work capacity assessment from ESAt/JCA ('000)



Note: Unable to be completed ESA ts have been removed from this analysis. Other refers to all other outcomes except DES and Stream C, such as Stream A & B, Unable to benefit, ADE, etc. Assumes NA is 30+ work capacity. 8+ is for DSP participants
Source: DSS; BCG analysis

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