

Performance Audit Report

Department of Corrective Services

NSW Correctional Industries

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CONTENTS

Executive Summary	1
Recommendations	10
Response from the Department of Corrective Services	13
1 Introduction	17
1.1 What is this Audit About?	18
1.2 How Do Correctional Industries Work?	18
1.3 Are Correctional Industries Important?	19
1.4 Correctional Industries Operate in a Difficult Environment	20
1.5 The Audit Approach	20
1.6 Acknowledgements	21
1.7 Cost of the Audit	21
1.8 Audit Team	21
2 Setting a Clear Direction	23
2.1 Issues Examined in this Chapter	24
2.2 Setting a Clear Direction	24
2.3 Planning the Right Approach	27
3 Preparing Inmates for Post-Release Work	31
3.1 Issues Examined in this Chapter	32
3.2 Limitations in Current Correctional Industries Development Focus	32
3.3 Changing the Focus and Strategy for Inmate Development	35
3.4 Addressing Individual Inmate Employability Development Needs	37
3.5 Benefits of Improving Assessment and Planning to Address Inmate Employability Needs	39
3.6 Vocational Guidance and Assessment	43
3.7 Positive Departmental Initiatives	45
4 Finding Enough of the Right Work	47
4.1 Issues Examined In this Chapter	48
4.2 Finding the Right Type of Work	48
4.3 Finding Enough of the Right Work	51
4.4 Barriers to Finding Enough of the Right Work	52

5	Working to Reduce Prison Running Costs	59
5.1	Utilising Inmate Labour To Reduce Prison Running Costs	60
5.2	Financial Performance	61
5.3	Indirect Financial Benefits	66
	Appendices	69
	Appendix 1 - The Audit	70
	Appendix 2 - Bibliography	72
	Appendix 3 - Response to recommendations from the Department of Corrective Services	77
	Performance Audits by the Audit Office of New South Wales	81

Executive Summary

Executive Summary

What are Correctional Industries?

Correctional Industries (CIs) are organised work activities which utilise prison inmate labour for productive purposes. In return for wages, inmates in NSW are employed in two types of CIs: *Service Industries*¹ and *Commercial Industries*.²

What are Correctional Industries Trying to Achieve?

The key objectives of CIs are as follows:

- to help rehabilitate inmates, by providing them with work related skills and experience needed to enhance their ability to find and retain a job and lead productive lives on release
- to keep inmates occupied, and therefore facilitate inmate management, by minimising undesirable inmate behaviour associated with inmate idleness and boredom
- to reduce the costs of running prisons, through the productive utilisation of inmate labour.

Why Are Correctional Industries Important?

Two thirds of the inmate population in NSW (7,700) consists of repeat offenders. The cost of incarcerating these re-offenders (approximately 5,000) is around \$280 million each year. Re-offending also has significant social impacts on the community. For every ten inmates released, research shows that four are likely to be returned to prison within 2 years.

It is acknowledged that there are a complex range of factors which contribute to re-offending, and that the Department of Corrective Services (the Department) is able to influence only some of the factors involved. However, research has shown that, along with other rehabilitative programs run by the Department, CIs can help to reduce re-offending.

Research shows a link between unemployment and criminal activity. 44% of inmates have histories of long term unemployment prior to imprisonment. Overseas studies indicate that ex-inmates who find stable jobs have half the probability of re-conviction compared to those inmates who were unemployed. By developing inmate skills to enhance their chances of finding and retaining employment on release, CIs can assist to reduce the likelihood of re-offending.

¹ Service Industries utilise inmate labour to do prison “house keeping”. Examples include in-house catering, building and ground maintenance, cleaning and clerical support. Service Industries are operated in all prison centres, employing approximately 2,450 inmates (32% of the total inmate population).

² Commercial Industries sell goods and services to external clientele such as private and public sector consumers. They also “sell” internally to the Department. Commercial Industries include textiles, furniture, engineering, technology, agriculture, printing, arts and crafts and laundries. Commercial Industries operate 80 business units, employing approximately 2,350 inmates (31% of the inmate population).

CIIs also play an important role in facilitating inmate management by reducing troublesome inmate behaviour attributable to inmate idleness and boredom.

Prisons are expensive facilities to operate. CIIs offer a substantial workforce which could reduce prison running costs if utilised effectively.

As inmate populations continue to grow rapidly (almost doubling since 1988), CIIs will grow in importance.

**Audit Opinion:
How well are
Industries
Performing?**

CIIs have come a long way in NSW. CIIs have grown to employ rates of inmates which rank amongst the highest in the world. This is a commendable achievement by the Department.

Whilst there are other notable achievements to date, the Audit Office believes that CIIs have developed to a stage where they can, and should, tackle even more challenging issues. This report provides recommendations to assist in that task. In so doing, the Audit Office recognises that NSW is not isolated in this regard and that many of the findings and issues highlighted in this report represent challenges for CIIs worldwide.

In respect of the current performance of CIIs against their three key objectives, the Audit Office is of the opinion that:

- **to keep the maximum number inmates occupied (in order to facilitate inmate management), CIIs are effective**
- **to optimise the development of inmates for employability purposes,³ further actions are needed to improve CIIs' effectiveness.⁴ Among these is the option to shift the inmate development focus towards providing inmates with broader, foundational employability skills which are transferable to the wide variety of work they may pursue upon release. There would also be benefit in using more specific performance indicators to monitor and assess CIIs' achievements against this objective.**

³ ie to significantly enhance the desire and opportunity for inmates to gain and retain employment after release.

⁴ These are identified in this report.

- **to reduce prison running costs, insufficient information is available to reach an informed judgement. Cost savings from Service Industries are not monitored. Commercial Industries are not self sufficient, with costs exceeding reported revenues. Indirect cost savings may result from CIs reducing inmate idleness and facilitating inmate management. However no estimates of these cost savings exist.**

Much Has Been Achieved

Over the past ten years, CIs have grown to employ approximately 63% of the inmate population. This is at world best practice level.

The commercial culture within Commercial Industries has also steadily grown, as has awareness of the need for inmate development. CIs are working more closely with the Department's education program units to develop more work oriented education for inmates.

In recognising these achievements, areas for ongoing effort to generate further improvement are also provided by this report. Key areas for comment are summarised below.

A Complex Situation Provides Potential for Objectives to Compete

Whilst the defined objectives for CIs can complement each other, the Audit Office considers that these objectives can also potentially compete. For example, in maximising inmate employment rates, low technology labour intensive CIs are preferred by the Department. However, these types of CIs are likely to be less efficient (compared to industries in the community) and less able to reduce prison running costs. They are also more likely to result in work which offers limited development potential for inmates. There may also be the temptation that to reduce inmate idleness, inmates may be employed regardless of the need.

The Audit Office does not form an opinion as to how the CIs' objectives should be balanced or prioritised. The key issue is that the desired balance of objectives is not clear because objectives are not prioritised. As an illustration, senior CIs' management advised that its key desired emphasis is on developing inmates. However, in practice it was apparent that CIs' supervisors placed more priority upon meeting production schedules and satisfying customer requirements.

The competing aspects of attempting to achieve all three objectives equally, is also illustrated when chapters of this report examine each objective individually. In reporting findings and making recommendations to enhance results against one objective, competition with another objective may be perceived. The Audit Office considers that this is a consequence of the inherent tensions which exist between the three objectives set for CIs, which can only be resolved by prioritising or modifying the objectives.

Planning The Way Forward

The Audit Office considers that Commercial Industries would benefit from improved planning to include more clearly defined and detailed strategies and appropriate performance measures/targets. Service Industries would benefit from overall strategic planning which is currently lacking.

Assessing Inmate Development Needs

Existing assessments of inmate development are limited in terms of identifying specific employability skill needs and in articulating tailored plans for inmates to address those needs.

Current Inmate Development Focus

At present, the key emphasis of CIs is on teaching inmates job specific skills needed to do specific work tasks inside prison. Some research suggests that when inmates leave prison they are unlikely to seek or find outside work in the same type of jobs they held in prison. This means that job specific skills learned inside may be unlikely to be used outside.

There are also other limitations related to CIs' focus on providing job specific skills. The majority of inmates serve short prison terms (50% serving less than 6 months) and there are high volumes of transfers of inmates between prisons. CIs' staff believe that many inmates are not in any one industry long enough to build sufficient job specific skills. As CIs are predominantly low skilled and labour intensive, skills learned tend to be more basic in nature.

There may also be shrinking demand for those job specific skills which are learned. Industries such as textiles and furniture are diminishing in the community. There is no formal labour market research to guide CIs as to the type of job specific skills it should provide inmates in order to enhance job prospects on release.

A Broader Inmate Development Focus May be of Value

Indications are that world best practice for CIs is moving the development emphasis away from focusing on the provision of job specific skills. Focus is now moving towards encouraging inmates to build broader generic employability skills. Employability refers to the skills attitudes and abilities that all employers commonly consider when looking for potential employees. These include positive work habits and attitudes and skills such as communication, teamwork, problem solving, initiative etc. The provision of job specific skills is still important but not treated as a priority. Unlike job specific skills, wider employability skills have application to any type of work an inmate may pursue. The claimed poor work histories of the majority of inmates suggest that many inmates may need generic skill development.

Current CIs may already be developing some generic skills, such as in building a work ethic for inmates. A more measured and planned approach to building these wider skills is suggested as a next step.

Providing Inmates With Post-release Work Direction

Current world best practice is also moving towards longer-term post-release work planning and guidance for inmates (which is presently limited in NSW). The aim of such an approach is to provide inmates with a realistic and suitable work direction which they will be motivated to pursue once released. This has evolved from research which indicates that inmates who leave prison without any career/work direction may be less likely to find and retain jobs. The Department should consider the potential (as well as practicalities) of moving in this direction.

Finding Enough of the Right Type of Work

In order to achieve their objectives, CIs have placed a major focus upon finding sufficient work to keep inmates occupied (and have achieved impressive performance on this dimension). However, other objectives also require them to contribute towards reducing prison running costs, and to find the right sort of work which will optimise the development of inmate employability skills. Achieving these latter two objectives has proven to be difficult and performance has been more limited.

Targeting Work to Address Inmate Needs

One potential improvement factor here which the Audit Office has recommended is that inmate development needs be assessed in greater depth, so as to enable CIs to target better the most appropriate type of work to address those needs.

Building Realistic Working Environments

Considerable progress by CIs has been made towards building more commercial and “realistic” working environments, which is important for inmate development. Such working environments smooth inmate transition to outside working environments. However, high levels of operational inefficiency, low levels of technology and low inmate work application exist in many business units and this limits CIs’ ability to replicate working environments in the community. These problems are reportedly typical of the CIs area worldwide, but efforts must nevertheless be made to minimise their impacts.

Achieving Production Continuity

Whilst CIs have high overall inmate employment rates, achieving production continuity remains a key challenge. CIs experience considerable difficulty in finding enough continual work to keep working inmates productively occupied. Observed problems in production continuity can result in periods of overmanning, inmate idleness and/or the assignment of less meaningful or “make work” to keep inmates busy. This reduces inmate motivation to develop skills, as inmates become frustrated with prison work.

Accessing Market Opportunities to Create Work Opportunities

Finding enough of the right work is also constrained by limited access to market opportunities. CIs operate under a charter which prevents them from having an “unreasonable/significant” impact upon other Australian businesses. This restriction was imposed on CIs in the interest of protecting jobs in the community. In practice, this approach provides a source of conflict with the defined policy objectives for CIs. CIs are restricted from competing freely, which in turn restricts the ability to find enough of the “right” work.

It would be helpful if the charter provided clearer parameters for CIs business development efforts. This would assist CIs to distinguish more clearly between acceptable and non-acceptable business development strategies. It would also clarify whether current CIs (some of which may have a material impact on other businesses) are in compliance with the charter.

In many other overseas jurisdictions, public sector agencies are required to give preference to CIs when purchasing. This provides a bulk of the CIs’ ongoing work. CIs in NSW do not have this level of access to public sector work opportunities. CIs advised that past efforts to create preferential access to public sector markets have not been successful.

Business Development and Marketing to Generate Work

The Audit Office also considers that there would be benefit in CIs placing a greater emphasis on marketing and on more detailed business development planning, with a view to identifying and securing new and additional work opportunities.

Increasing In-house Work Opportunities

Work expansion also appears to have been constrained in part by the Department's observed practice of sometimes purchasing from external providers instead of CIs (even when the overall net cost to the Department may have been lower from using CIs, owing to the unavoidable "fixed" costs associated with operating prisons). The Department advised that it has a general preference policy to purchase from its CIs where most appropriate. However, the extent to which this policy is being implemented appears to be an issue.

Opportunities for Improved Information and Accountability for Cost Savings

There is limited overall financial information to monitor the achievement of CIs' cost savings to the Department. Performance information and accountability could be enhanced in this area, so as to measure results against the objective of achieving prison cost reduction. This will require an increased emphasis on business planning for these CIs.

Commercial Industries are currently unable to effectively monitor profitability because of limitations with information systems and financial reporting. This reduces CIs' ability to manage performance and limits its accountability for meeting prison cost reduction objectives.

The Department is currently upgrading CIs' accounting and business information systems to address these deficiencies.

Improving Business Planning

The business plan for Commercial Industries does not set detailed strategies to boost performance and address operational constraints which stem from operating a business in a prison environment. Such constraints place CIs at a disadvantage to their private sector counterparts when competing to win work on the open market.

Pricing of Sales

The Department has established a pricing policy for CIs to keep all sales to external parties above cost and, where possible, earn sales margins. The Department's internal auditors have conducted 12 reviews of various CIs' business units in recent years. In 25% of these reviews, examples of sales being made at less than cost or below approved price lists were identified. In one of the reports, internal audit indicated that such pricing "not only clearly impacted on profit but can place the Department in a potentially invidious position of defending itself against accusations of financially supporting a private sector business associate".

Obtaining Value for Money

CIs must satisfy public expectations upon them to ensure integrity and provide best value for money and transparency in all of its commercial dealings with external parties. The Audit Office considers that more detailed probity guidance should be developed so as to provide greater assurance that these expectations are satisfied.

Business Revenue Has Grown, but Commercial Industries are not Generating Surpluses

Although Commercial Industries sales have been increasing over the years,⁵ they are not yet self-sufficient. Rather than reducing prison running costs, they incur a cost to the Department of at least \$6 million each year. As part of its focus on inmate development and minimising disruption by inmates arising from idleness, the Department continues to fund many financially non-viable businesses.

Indirect Cost Savings

It is recognised that in keeping inmates occupied, the Department may make indirect cost savings through facilitating inmate management. However, no estimates of such savings are available.

⁵ Approximately \$26 million in internal and external sales for the financial year ended June 2000.

Recommendations

Setting a Clear Direction

- **Establish long range strategic planning for both Service and Commercial Industries**
 - incorporate clearly defined and prioritised objectives and goals
 - provide more detailed strategies for achieving goals and objectives, and for addressing difficulties in operating in a prison environment
 - incorporate appropriate performance measures to allow CIs' effectiveness in meeting objectives/goals to be monitored.
- **Integrate CIs strategic planning with the planning of other Departmental inmate development units (such as Education and Psychology)**

Preparing Inmates for Post-release Work

- **Initiate a shift in the inmate development emphasis towards providing inmates with broader foundational employability skills**
 - until this is achieved, the Department should address barriers which limit the effectiveness of the current development focus (of providing job specific skills) such as identified in this report.
- **Increase the focus on addressing individual inmate employability development needs**
 - inmate employability skill needs be thoroughly assessed against researched employability criteria
 - CIs and other Departmental inmate development units work together with the inmate to develop and implement detailed individual employability development plans to address each inmate's needs
 - post-release work planning and guidance be implemented for inmates to provide work direction
 - research be conducted to identify potential strategies for improving poor inmate work motivation
 - policy be established to determine how development resources are to be prioritised between inmates with varying development needs and with different levels of potential for development
 - CIs staff be provided with training to identify and address inmate employability skill deficiencies and obtain necessary leadership and communication skills

- the pre-release work program and job placement elements of that program be made more widely accessible to inmates
- improved performance indicators be instituted to monitor and assess CIs' achievement in developing inmate employability and in enhancing post-release job placement
- the Department give consideration towards providing job placement assistance for inmates whilst in prison to help them find post-release work.

Finding Enough of the Right Work

- **Target work which optimises inmate employability development**
 - CIs should place more emphasis on inmate development needs in planning business development
 - address barriers to creating more realistic work environments.
- **Increase the quantity of work to keep inmates productively occupied**
 - strategies be developed for identifying internal work opportunities and for the internal promotion of CIs
 - the Department monitor compliance with its preference policy for “purchasing” internally from CIs
 - Commercial Industries increase business development planning and marketing efforts
 - The impacts on CIs' effectiveness resulting from current market restrictions and the lack of requirement by public sector agencies to give preference to CIs goods and services when purchasing, be examined and reported. In so doing, current restrictions limiting competition with the private sector should be clarified to provide clearer guidance and boundaries to CIs in their efforts to generate business. Compliance of current CIs with these restrictions should also be reviewed.

**Reducing Prison
Running Costs**

- **Decrease costs to the Department of operating CIs through improved management practices**
 - inadequacies in management and financial reporting be addressed to provide for more accurate and timely management information and for greater levels of accountability (in generating cost savings and/or operating surplus dividends)
 - business planning address factors affecting efficiency
 - a transfer pricing policy be implemented for CIs internal “sales” to the Department
 - more comprehensive probity guidelines be developed to ensure that all business dealings with external parties are carried out in an impartial, fair, competitive and open manner to ensure integrity and best value for money
 - the cost/benefit of continued Departmental funding of non-viable CIs be reviewed, in terms of financial costs to the Department and value to inmates in terms of employability development. Business development planning be enhanced to target more profitable businesses
 - CIs’ staff be provided with adequate training in business and operational management.

Response from the Department of Corrective Services

The final draft of Audit's Report into the performance of Corrective Services Industries (CSI) has been reviewed after extensive discussions with your officers, a process that has taken several weeks. The following comments, together with a more detailed response to the contents of the Report (*refer to Appendix 3 for response to report recommendations*), are submitted for inclusion in the printed version.

Although Audit has focused on the performance of Corrective Services Industries (CSI), it fails to adequately provide the perspective expected in a report of this nature. The complexity and challenges identified in relation to the operation of CSI are but part of a broader but just as complex milieu.

Indisputably the logistics of daily reception and discharge of both remand and sentenced inmates presents a difficult management challenge. Over 140,000 inmate movements per annum to and from Court and between Correctional Centres and the processing of 15,000 inmates through the system each year is indicative of some of the logistical dimensions of managing the New South Wales correctional system.

Inmates' stay in custody varies from a number of days to those sentenced for life. Each is entitled to receive the appropriate level of care based on their individual needs. There are those that suffer from serious mental illnesses, others in danger of self-harm, and those vulnerable to attacks from predatory inmates. Some are intent on escaping or potentially may represent a danger to staff and other inmates. Individual volatility can occur unpredictably, often with an impact on good order and discipline. The complexity of the range of managerial responsibilities is exacerbated by the unremitting increase in the inmate population, up some 30% on 1991 levels or the equivalent of four large correctional centres, each with a capacity of 450.

In this time CSI has increased its sales base from \$7.5 million to over \$26 million. The contribution to the Department in the form of gross contribution from commercial industries has been lifted from a \$1 million loss to an \$8.5 million surplus in the same period.

Despite extensive discussions between senior departmental officers and the auditors the body of the report remains overly negative and repetitious, and in a number of instances conclusions turn on the unconfirmed view of one inmate. The fact remains that CSI is at the leading edge of national and world performance.

The key findings of Audit are addressed as follows:-

Audit's finding that CSI's preference for industries that are: labour intensive and low technology based is consistent with the Department's balanced approach to employment maximisation, rehabilitation and reparation. Audit's contradictory recommendation that consideration be given to prioritising the three aforementioned objectives is not accepted as each complements the other, unlike a commercial concern the predominant focus is not on maximising profit.

The Department accepts that case management can be more effectively adapted to accommodate inmates "post release and work planning and guidance" as part of the development of a more holistic life plan. However, the more in-depth career planning envisaged by Audit is unrealistic and resource intensive.

Audit's recommended shift in focus from job specific skills to broader generic employability skills accepts the situation of high turnover (50% of inmate population serving sentences of six months or less) and the influence education, lifestyle and other development programs have on preparing inmates for employment and productive lives after their release. CSI is embracing the concept in a manner that is consistent with emerging workplace changes in the broader community.

Although savings from CSI's housekeeping functions are not monitored, as Audit claims, the employment of inmates in cleaning, ground maintenance, minor repair work, food preparation and laundry at an average payment of \$1.10 per hour is as economic as it is occupational. The new accounting system to be implemented from 1 July 2001 will allow management to more accurately monitor savings from Corrective Services Industries.

Audit's comment in relation to lifting restrictions on CSI to allow competition with the private sector, where jobs from that sector may be placed in jeopardy, has been noted. It has been long established government policy not to be seen to be contributing to unemployment and, by implication, subsidising low prices in order to obtain work.

Preferential purchasing treatment is given to CSI by the Department with proper regard for price competitiveness and guarantees in respect of quality and delivery timeframes. However, the Department's purchasing policies will be reviewed to provide the emphasis sought by Audit.

It is acknowledged that the financial monitoring of CSI could be enhanced by the introduction of a more effective business information system. To this end, the Department is to implement a commercial accounting and business system from 1 July 2001 that more effectively meets the needs of a manufacturing concern such as CSI. CSI's Head Office will be converted to the new system initially and it will be progressively rolled out to correctional centre business units over a two year period.

Audit's recommendation for improved business planning has been taken up. A more formal and detailed approach has been taken in conjunction with the Department's Corporate Planning Unit for the preparation of the 2001/2002 Business Plan now underway.

In accordance with Audit's comments in relation to the pricing policy, this policy will be the subject of compliance testing by the Department's newly established Probity and Performance Branch. Particular attention will be given to the reported findings of Audit to avoid any perception of corruption or lack of transparency in its dealings with external parties.

Audit's observation concerning the cost to the Department of running CSI is "at least \$6 million a year" does not account for the opportunity cost of having to employ additional security and professional program staff should CSI cease to exist. CSI is part of a larger program of "Assessment, Classification and Development of Inmates" for which over \$91 million will be allocated in 2001/2001.

The Department is considering the recommendations of a recently completed "Review of Inmate Services and Programs" designed to improve efficiencies and access equity for inmates to programs and staff responsible for professional/clerical supervision. The 8 June 2001 has been set aside for the Department's senior executive to consider and schedule for action those recommendations that will be approved. The integration of CSI with other program and service providers proposed by Audit is central to the recommendations emanating from the Review.

Audit has recommended that the pre-release work program and job placement elements of work release "be made more widely accessible to inmates". Audit may be unaware that all inmates entering the program are closely assessed in accordance with an established criteria to ensure compatibility with the objectives of the scheme with a focus on security aspects. Widening the eligibility for work release will increase the risk of security breaches and the attendant publicity may well bring the continuation of the scheme into question.

(signed)
Leo Keliher
Commissioner
29 May 2001

1 Introduction

1. Introduction

1.1 What is this Audit About?

This performance audit examines the efficiency and effectiveness of CIs, which are operated by the Department of Corrective Services (the Department). CIs provide employment for approximately 4800 inmates who carry out various types of work inside prisons in NSW.

Performance has been assessed against objectives set down by the Department for CIs which are:

- to help rehabilitate inmates, by providing them with work related skills and experience needed to enhance their ability to find and retain jobs and lead productive lives on release
- to keep inmates occupied, and therefore facilitate inmate management by minimising undesirable behaviour normally associated with inmate idleness and boredom
- to reduce the costs of running prisons, through the productive utilisation of inmate labour (and therefore provide reparation to the community through easing the cost burden on the taxpayer).

1.2 How Do Correctional Industries Work?

Typically, CIs are comprised of units which utilise small workshops and work gangs consisting of 20-40 inmates doing predominantly labour intensive work in the lower skill range. Each unit is supervised and trained by CIs staff who normally have relevant trade experience and qualifications.

There are two types of CIs. Service Industries utilise inmate labour to do Prison “house keeping”. Examples include in-house catering, building and ground maintenance, cleaning and clerical support. Service Industries are operated in all prison centres, employing approximately 2450 inmate (32% of the total inmate population).

Commercial Industries sell goods and services to external clientele such as private and public sector consumers. They also “sell” internally to the Department. Such CIs include textiles, furniture, engineering, technology, agriculture, printing, arts and crafts and laundries. Commercial Industries operate 80 business units, employing approximately 2350 inmates (31% of the inmate population).

Inmates who are assessed as fit to work are obliged to do so unless occupied by other rehabilitative programs. Which CIs they will end up working in depends on past work experience, positions available and the job placement preference policy of each prison.

Each morning, five days a week, inmates are mustered for an average 6.5 hour work day. In return, inmates are paid wages which average around \$25 a week (ranging from \$13.80 to \$61.80). Those inmates unsuccessful in gaining work of inmate population are paid unemployment benefit of \$12.30 per week). Inmates who refuse to work are counselled and if necessary disciplined. There were approximately 150 non-workers as at July 2000. Inmates on remand can work but are not obliged to do so.

Each prison centre has responsibility and control over the operation of its CIs. However for Commercial Industries, that responsibility is shared with a separate Departmental division known as Corrective Service Industries (CSI). CSI is responsible for the administration, planning, coordination, supervision and promotion of Commercial Industries. CSI is therefore responsible for the overall performance of Commercial Industries in achieving the abovementioned objectives.

1.3 Are Correctional Industries Important?

CIs can make an important contribution to inmate rehabilitation.

Studies have shown that it is very difficult to identify the personality traits that predispose a person to criminal behaviour. However, one personal characteristic that shows a high correlation with criminal offending is poor employment history. In Victoria approximately 60% of prisoners reported being unemployed at the time of incarceration. In NSW 44% of inmates are classified as having histories of long term unemployment.

A number of overseas studies have shown that inmates who find stable employment following their release have about half the probability of being convicted of further offences compared with those who were unemployed. The logical extension of this is that prison work can provide experience, training and the opportunity for inmates to develop work habits which will help them to find and retain stable employment and therefore reduce the risk of re-offending.

CIIs are also an important tool in facilitating inmate management. By keeping inmates occupied the Department can reduce unfavourable inmate behaviour brought about by idleness and boredom. The substantial workforce of inmates also offers potential to reduce prison running cost through goods and services offered to the Department, and through external sales.

1.4 Correctional Industries Operate in a Difficult Environment

The Audit Office recognises that CIIs operate in complex and challenging environment. CIIs operate under a charter which restricts the ability of CIIs to compete with the private sector in order not to displace workers in the community. Another challenge is that the inmate work force is relatively unskilled, uneducated, unmotivated and far less stable than that found in the general community.

High inmate turnover occurs due to inmate transfers and releases. This means CIIs spend considerable time training an ever changing workforce. The high turnover rate also makes it difficult for inmate development strategies to take effect. Often, inmates are not in CIIs long enough to benefit.

Because inmates must remain in a secure environment, their work day is reduced by disruptions such as searches, lockdowns and other security procedures. Security aspects can also limit the type of work CIIs can perform. Facility layouts for CIIs can also be compromised by security considerations which have priority over efficiency.

Most of these challenges are common to CIIs all around the world.

1.5 The Audit Approach

In conducting this audit, the Audit Office visited a sample of prisons throughout NSW. As well as observing the operation of a range of CIIs, visits included structured interviews with Governors and relevant CIIs and Inmate Development Services staff. Inmates were also interviewed to obtain their perspective on CIIs.

The Audit Office reviewed a portion of the considerable research into world better practice in dealing with common CIIs challenges and issues as mentioned above (refer bibliography Appendix 2).

More details of the audit approach are included in Appendix 1.

1.6 Acknowledgements

The Audit Office gratefully acknowledges the cooperation and assistance provided by representatives of the Department of Corrective Services.

Specially, we wish to acknowledge the contribution made by Departmental liaison officers and staff, and inmates from the Correctional Centres that were visited by the Audit Office.

1.7 Cost of the Audit

The cost of the audit was \$225,040. This figure includes the estimated cost of printing the report (\$7,000) and travel and incidentals (\$3,990).

1.8 Audit Team

Bettina Ocias, Gordon Eastwood, Stephen Horne.

2 Setting a Clear Direction

2.1 Issues Examined in this Chapter

This chapter examines how CIs' objectives may compete, and the effect this can have on CIs' direction. This chapter also examines overall planning for CIs.

2.2 Setting a Clear Direction

2.2.1 Potentially Competing Objectives

Key Objectives for Correctional Industries

In summary, the key objectives of CIs are to:

- keep inmates occupied by maximising the number of inmates employed
- reduce day to day prison running costs
- develop inmates to increase their chances of finding and retaining work on release.

In an optimum scenario, all three objectives can complement each other. If inmates employability skills are developed and improved, inmates will be more productive allowing industries to operate more efficiently. If enough quality inmate development work opportunities can be found to occupy all inmates whilst generating profits and/or cost savings then all three objectives could be met.

However, in practice, CIs do not operate in an optimal environment. Like many other prison systems around the world, CIs in NSW struggle to achieve all three objectives because there is a potential for these objectives to compete.

The following examples illustrate how one industry objective can compete with another.

Potential Side Effects of Maximising Employment

Efforts to maximise inmate employment can lead to: overmanning; the assignment of meaningless "make" work to create jobs; labour intensive work, which lacks the proper type of technology. These factors can create an unrealistic working environment with only limited inmate development potential. These side effects are also likely to adversely impact on economic return, if the push to increase worker numbers results in inefficiency.

Correctional Industries Visits

Several CIs supervisors interviewed said that they had too many inmates to provide focused development attention on each inmate. With less inmates, they believed they could provide more attention to developing inmates whilst still achieving production requirements.

Industry managers interviewed advised that in the interests of maintaining inmate employment, the Department continued to fund recognised non-viable CIs business units operating at a commercial loss.

Research suggests that labour intensive CIs, generally preferred by the Department in the interest of maximising employment, offer only limited inmate development potential.

The Audit Office acknowledges that inmate numbers have been continuously increasing for an extended period of time, stretching resources and limiting possibilities in some situations.

Potential Side Effects of Maximising Economic Benefits

An emphasis on maximising economic benefits may result in greater efficiency, through greater use of technology and more efficient use of inmate labour. Such CIs may offer higher quality inmate development potential for those employed. However, they are also likely to require lower levels of inmate employment. This means less development opportunities for inmates overall.

Correctional Industries Visits

In some prisons visited, inmates with poorer work histories tended to be placed in Service Industries because those inmates with more productive potential were “reserved” for Commercial Industries where productivity was more crucial. CIs staff said that Service Industries offered lower inmate development potential compared to Commercial Industries.

Inmates interviewed said that, in general, inmates who showed better work skills received more development attention from industry supervisors.

Whilst the above practices may make good business sense, they may also mean that those inmates in most need of employability development are receiving the least opportunity to develop.

Potential Side Effects of Maximising Inmate Development

Emphasis on maximising inmate development opportunity can compete with economic objectives. Inmates can be taught minimum skills to fulfil production requirements. Further investment to develop skills beyond this can take supervisor and inmate time away from more productive endeavours, which can adversely effect the level of financial return.

Correctional
Industries
Visits

Although less of an issue now than in the past, Departmental education officers and inmates interviewed complained that CIs staff were reluctant to release inmate workers for education purposes because of disruptions to production.

One business unit visited, recognised the importance of conducting inmate work performance assessments for monitoring inmate development. However such assessments were not carried out because to do so would mean tight production schedules may not be met.

2.2.2 Balancing Priorities

One of the key challenges facing CIs is finding the optimal balance in achieving set objectives. The Audit Office does not form an opinion as to how the CIs' objectives should be balanced or prioritised. The key issue is that the desired balance of objectives is not clear because objectives are not prioritised. This is illustrated in the example below:

Correctional
Industries
Visits

Staff interviewed at more senior levels of management strongly emphasised inmate development as a key CIs objective.

However, CIs staff interviewed (who had the most contact with inmates), were most concerned with meeting production schedules and keeping customers happy. CIs staff said that formal internal performance appraisals of commercial business units give an 80% score weighting to business and operational performance issues and 20% to inmate development performance.

Regardless of the formal objectives, other real-life factors influence the balance and focus of efforts. This outcome does not appear to accord with what the Department would wish in terms of priorities.

The competing aspects of attempting to achieve all three objectives equally, is also illustrated when chapters of this report examine each objective individually. In reporting findings and making recommendations to enhance results against one objective, competition with another objective may be perceived. The Audit Office considers that this is a consequence of the inherent tensions which exist between the three objectives set for CIs, which can only be resolved by prioritising or modifying the objectives.

2.3 Planning the Right Approach

2.3.1 Defining Strategies for Success

Addressing Future Challenges

The difficulties of operating CIs in a prison environment were outlined in the previous chapter. Very few industries in the community face such level of difficulties, but such is the nature of the CIs environment.

To deal with this situation, strategic planning is critical to ensure that CIs can minimise the adverse impacts of these factors and operate at an optimal level in meeting overall objectives.

Implementing Strategic Planning for Service Industries

There is no formal overall strategic planning for Service Industries, which employ over half of the working inmate population. Service industries at the different correctional centres have evolved based on the individual initiatives, preferences and needs of the different centres, albeit with considerable assistance and support from the Department. The efforts are not in dispute, for much has been achieved. However, greater consideration of how to strategically develop Service Industries for best overall effect would be of value.

The absence of performance measures means there is little or no monitoring or accountability for how well Service Industries are achieving the set CIs objectives.

Commercial Industries Would Benefit from More Detail in Business Plans

The Commercial Industries Business and Marketing Plans examined by the Audit Office did not contain detailed strategies and did not provide detailed action plans to address key constraints and challenges posed by the prison environment.

For example, the Business Plan includes targets to reduce lost production as a result of operational constraints by 15% but gives no further guidance on how to go about achieving this challenge. The Department does not consider that this is a significant problem, as it has strategies to deal with the key issues even though those strategies are not necessarily documented.

However, given the diverse nature and geographic location of business units, the Audit Office is of the view that strategies should be documented in formal planning, with responsibility for implementation clearly defined. The Audit Office considers that not doing so is more likely to result in lack of clarity in strategic direction and misinterpretation or inconsistent implementation of set strategies. Formal documentation of strategies supported by appropriate performance measures will also build commitment and accountability in strategy implementation.

The Audit Office's observations indicate that detailed strategies are left to the individual business units to develop. This fragments industry planning. Two business units working in the same industry, but at different correctional centres, may have inconsistent strategies. Allowing for local conditions is of course important, but leveraging best practice strategies and processes is even more significant.

The quality of Commercial Industry planning at an individual business unit level was found to be inconsistent. Some business units had highly developed plans whilst other business units had little more than very basic hand written strategies which appeared to lack any significant investment of effort. This reflects once again the significant influence of individuals on results. Greater consistency across the range of businesses would be beneficial.

There is no long range business planning for Commercial Industries. The Business Plan covers a period of 12 months. Given the especially difficult challenges for CIs, long term planning is considered vital.

**Better Measuring
Performance**

Performance measures contained in the Business Plan could be improved to provide more meaningful information on CIs progress in achieving objectives.

For example, the Business Plan would benefit from including measures for monitoring the achievement of inmate development objectives. Employment rate targets have been set, but such targets alone could result in the employment of inmates without the real need for their services. This could jeopardise rather than enhance inmate development.

Without more meaningful performance measures, CIs are not able to monitor the effectiveness of their strategies. Such monitoring is vital in providing valuable information for decision making in setting future direction to improve overall effectiveness. More meaningful performance measures would also provide greater accountability for the achievement of objectives.

Correctional
Industries
Visits

CIs staff interviewed were unable to cite reliable evidence to demonstrate the overall effectiveness of CIs in enhancing inmates opportunity to find and retain work, because no performance measures or monitoring exist.

2.3.2 Planning for Integration

CIs recognise that if they are to build the full range of employability skills in an effective manner, they can not do so working in isolation. Services offered by other rehabilitative programs run by the Department can help CIs build the employability and productivity of their workers.

CIs formal planning needs better coordination with other program divisions within the Department which deal with inmate development, such as Education and Psychology Programs, in order to integrate efforts in developing and rehabilitating inmates.

The concept of greater integration of CIs with other Departmental inmate development is discussed in more detail in the following chapter.

Recommendations

Setting a Clear Direction

- **Establish long range strategic planning for both Service and Commercial Industries**
 - incorporate clearly defined and prioritised objectives and goals
 - provide more detailed strategies for achieving goals and objectives and for addressing difficulties in operating in a prison environment
 - incorporate appropriate performance measures to allow CIs' effectiveness in meeting objectives/goals to be monitored.
- **Integrate CIs strategic planning with the planning of other Departmental inmate development units (such as Education and Psychology)**

3 Preparing Inmates for Post-Release Work

3.1 Issues Examined in this Chapter

CIs have an important objective to develop inmate employability. In building inmate employability, CIs aim to enhance inmates' ability to find and retain post-release work. The desired outcome is to assist inmates to develop a post-release work life and reduce the risk of re-offending. In this sense, prison work programs can make a very important contribution to the overall rehabilitation of inmates.

This chapter examines the effectiveness of the overall development focus of CIs in preparing inmates for outside work.

This chapter also examines how CIs address individual inmate employability development needs.

3.2 Limitations in Current Correctional Industries Development Focus

Key Development Focus is on Teaching Job Specific Skills

In developing employability, CIs place key emphasis on teaching job specific technical skills. Job specific skills are those skills needed to perform a specific type of job. For example, in the prison textiles industry, inmates are taught how to use sewing machines and learn sewing techniques through on the job learning and training courses.

Correctional Industries Visits

Many inmates interviewed said they were taught only the minimal skills needed to do their specific jobs in order to allow industry supervisors to meet their production requirements objectives.

Job Specific Skills Learned Inside Are Unlikely to Be Used Outside

Concentrating efforts on teaching inmates how to do a specific type of job has its limitations in terms of optimising inmate development. Research suggests that on release, the majority of inmates are unlikely to seek and find the same type of jobs as they had in prison. Accordingly job specific skills learned inside are unlikely to be used by inmates in outside work.

Past research into NSW CIs examined the type of work gained by a sample of ex-inmates on release and concluded that:

It appears unlikely by the nature of this work that many offenders who worked in Corrective Services Industries are using skills they had learned and/or used in their gaol work.⁶

⁶ J McHutchinson. "NSW Corrective Services Industries and Offender Post-release Employment". Research Bulletin No 14, 1991.

Correctional Industries Visits

The majority of inmates interviewed said that when released they would not be seeking the same type of work as they carried out in prison.

Many inmates said that whilst they had learned new skills in CIs, they were unlikely to use those skills when released because they did not intend to do the same type of work.

Difficulties in Providing the Right Job Specific Skills

The Department is well aware that it is difficult to match inside technical skill development with the technical skill needs required for placement of inmates within the broader community employment. It advised that this is because of changing labour markets and limitations in type of the CIs which can be adopted due to:

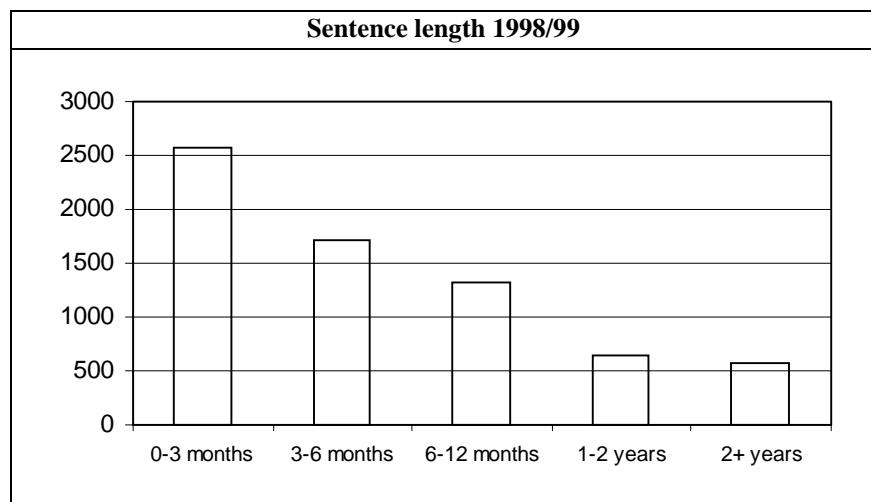
- the limited skill nature of its inmate workforce
- policy which restricts the markets within which CIs can compete.

Even if all these barriers did not exist, the Department recognises that it could not cater for providing technical skills to match the likely post-release career path of every inmate.

High Numbers of Short Term Prisoners Limit Development Possibilities

Departmental efforts to build job specific skills are constrained by the fact that many inmates serve only short prison terms. Approximately 4300 inmates are serving less than 6 months with 2500 of these serving less than 3 months at any one time.

The graph below indicates inmate sentence length for 1998/99. These factors mean that many inmates do not work in a particular business unit long enough to pick up sufficient technical skills in one particular CIs.



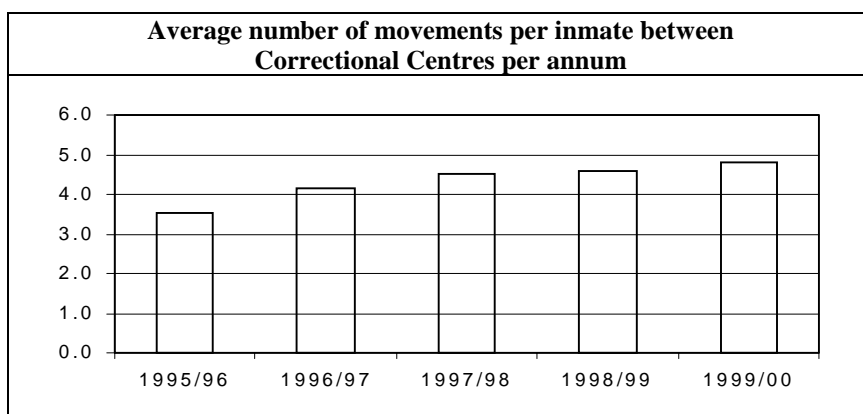
Source: Data provided by the Department of Corrective Services

Correctional Industries Visits

The common opinion of CIs management and staff is that inmates serving less than six months are unlikely to materially benefit from industry work programs in terms of technical skills learned.

High Volume of Inmate Transfers Also Limit Development Possibilities

Last year there were around 35,000 inmate transfers between different prisons. This means an inmate who starts to learn job specific skills in one of the CIs cannot always continue with that learning at the next prison of transfer. This is because the same industry/work may not be available.



Source: Data provided by the Department of Corrective Services.

Case Management conducted by the Department is largely responsible for these inmate movements. As inmate behaviour improves and the assessed security risk of an inmate is reduced, inmates are transferred to lower security prisons. Case Management can also recommend transfers for a variety of other reasons including locating inmates closer to family or security issues.

Correctional Industries Visits

A Program Manager⁷ interviewed said that Case Management was sometimes “divorced” from the real needs of the inmates. The Manager advised that inmates would sometimes be moved to prisons where there were less suitable development opportunities.

Discussions with inmates tended to reinforce this. An inmate interviewed said he had developed a keen interest in working in an electronics prison industry, and was receiving TAFE training in this field. He hoped to make electronics his future career. He expressed frustration that he was soon to be transferred to a lower security wing within the same prison. He said that although only a wall separated the new wing from his current wing, he could not work in electronics, nor get access to TAFE training because of security restrictions on inmate movement between prison wings.

⁷ A Program Manager is responsible for overseeing the effective operation of inmate care management and other inmate development programs including education, psychology, drug and alcohol and welfare units.

Job Specific Skills Taught Tend to Be Basic

Developing job specific skill is also constrained by the fact that the majority of CIs tend to be labour intensive, catering for low inmate skill levels. This means that job specific skills developed tend to be more basic in nature.

Correctional Industries Visits

Textile industry staff interviewed said that textile work was generally limited to less complex work. They said that more intricate textile work, which may be demanded of an outside textile worker, tended to be avoided because of the low skill levels of inmates.

3.3 Changing the Focus and Strategy for Inmate Development

The overall limitations and difficulties in focusing efforts on teaching inmates job specific skills suggest that this development focus may not be the most effective approach to optimise employability.

World Better Practise is Shifting Focus to Providing Wider Generic Employability Skills

World better practice is now broadening the definition of employability skills to include more than just job specific skills. The focus on building employability is beginning to shift with more emphasis now being placed on building generic skills, attitudes and abilities that all employers consider when looking for potential employees. Overseas research has examined the key common qualities sought by employers in recruiting staff and these include:

- communication skills
- personal and interpersonal skills
- teamwork skills
- problem solving skills
- a variety of appropriate attitudes and habits
- dependability and initiative

Without these generic employability skills, inmates are less likely to find and retain any type of work, regardless of their technical skills

In focusing inmate development on building these generic skills, the aim of overseas better practice is to prepare inmates for a wider range of jobs rather than technically skilling inmates to work in one type of industry. Such skills are often termed “foundational skills” as they provide the basis on which job specific skills can be built.

Providing Wider Generic Skills May Be More Relevant for Correctional Industries

Focusing efforts on building generic employability skills rather than job specific skills appears to be particularly relevant to the NSW prison environment because:

- ❑ generic skills can be applied to wider range of jobs. There is no guarantee that an inmate who built up technical skills in prison work will, upon release, end up in a job for which those skills are needed
- ❑ generic skills can be learned working in a variety of CIs. This means that the current problem in movement of inmates between prisons and CIs becomes less of an issue
- ❑ generic skills are by nature non-job specific, so even if an inmate works in an CIs which has nothing to do with what he/she wants to do in post-release work, he/she can still learn valuable foundational skills. CIs can never hope to have the right work for every inmate to develop job specific skills directly relevant to their post-release work
- ❑ many inmates are said to lack foundational employability skills, having very poor work histories. To provide these inmate with job specific skill without addressing foundational employability deficiencies is less likely to yield post-release long term employment.

The above discussion does not suggest that CIs should not provide technical skills, but that the provision of these skills should not form the primary industry development focus.

Correctional Industries Already Provide Generic Skills

Although CIs' chief focus has been on providing technical skills, the Department believes that CIs already provide opportunity for building generic employability skills. For example:

Correctional Industries Visit

One inmate interviewed, who had little work experience prior to working in gaol, advised that CIs helped him to get used to waking early each morning and disciplined him to work.

Program Managers interviewed advised that many inmates with poor work histories tended to sleep in late in the mornings in their "outside" daily routines. They said that just getting these people used to the routine of going to work each day can be a major development achievement.

It is not disputed that in some measure current CIs do provide opportunities for inmates to develop generic employability skills. However, for inmates to benefit from these opportunities there needs to be a planned approach for ensuring each individual inmate utilises those opportunities.

3.4 Addressing Individual Inmate Employability Development Needs

The Department's existing assessment of individual inmate employability needs is not detailed, and does not attempt to develop detailed tailored inmate plans for addressing those needs.

Correctional
Industries
Visits

Program Managers interviewed said that each inmate has a Case Plan outlining areas for improvement. However, CIs staff were rarely involved in developing this plan. They said that the plans do not normally go into detailed assessment or planning of inmate employability development needs. They advised that, in general, past work histories were reviewed and planning (if any) was usually limited to recommendations for placement of an inmate within a particular Correctional Industry.

CIs staff interviewed said that in assessing inmates for placement into CIs, they mainly looked at whether inmate had particular job specific skills which may be relevant to an industry. They said they did not assess generic employability skills.

Reliance is placed on CIs supervisors to identify and deal with inmate employability needs in their day to day supervisory roles. Supervisors are given some limited guidance and training in identifying and dealing with employability skill issues. There is little monitoring as to how well supervisors are dealing with these issues.

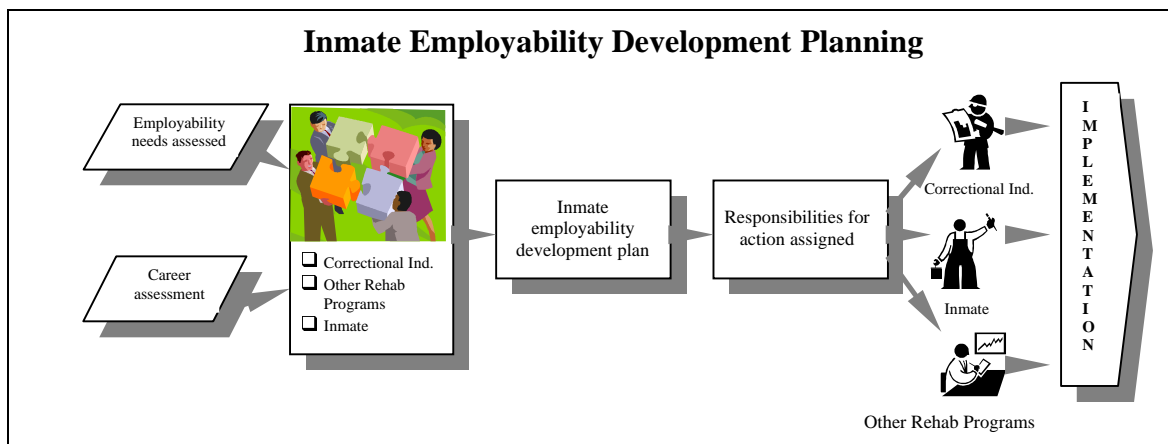
**Better Practice
Initiatives that
could be
Promulgated**

Some business units visited had implemented inmate performance appraisals, which assessed inmate work performance against set work criteria. This is an excellent initiative. Some of these criteria included generic employability skill such as attitude, problem solving, and adaptability. However, such appraisals are not mandatory for CIs and the form of assessment varied between business CIs.

The appraisal process could be enhanced in a number of ways. The criteria used to assess inmate development are not based on research as to the factors which enhanced inmate employability. Inmates receive no direct feedback, as they are not involved in the process. The appraisal process also needs to be applied consistently across all business units.

Suggestion for Change

The following model illustrates how the Audit Office considers that inmate employability assessment and planning can better address inmate development needs.



The key components of the model include:

- ❑ assessment of employability needs (both generic and job specific)
- ❑ assessment of career needs
- ❑ integrated planning where CIs and other inmate development programs (such as education, psychology and welfare) work together to develop inmate employability plans to address identified inmate needs
- ❑ inmate feedback and participation in assessment and planning
- ❑ appropriate allocation of responsibilities and planned actions to CIs and other rehabilitative programs to implement development plans.

3.5 Benefits of Improving Assessment and Planning to Address Inmate Employability Needs

The adoption of the above model offers important improvements viz:

Development Guidance and Feedback to Inmates

Inmates receive little formal feedback in terms of employability development. Inmates are not provided with a clear picture of their work strengths and weakness and what they must do to improve. Inmates also receive little feedback on development progress because no goals are set for their development against which progress can be measured. Without this feedback the important process of giving an inmate direction and motivation for improvement is less likely to be effective. Inmate employability development planning would allow such feedback to occur.

As discussed in more detail further below, the provision of post-release work or “career” guidance as suggested in the above model, can provide inmates with important post-release work direction which appears to be lacking in many inmates. Indications are that work directions can enhance an inmate’s chances of finding and retaining post-release work.

Effective Development Strategies

Without assessment of inmate employability needs, CIs lack detailed knowledge needed to set the most appropriate strategies for individual and overall inmate development.

Without collation of individual inmate needs in a database of information, planning is less likely to be oriented towards addressing the actual needs of inmates. Such a database could also be useful for other inmate development programs within the Department. This is because many employability issues such as attitude, communication and teamwork skills will also be of interest to other inmate development programs. This could help these other programs in planning and targeting their services because they too will have clearer picture of inmate needs.

Matching of Resources with Inmate Development Needs

An example of the type of mismatch of resources that can occur without appropriate inmate development needs assessment is provided below.

Correctional
Industries
Visits

An inmate working in a prison kitchen was selected to participate in a three-year traineeship program in commercial cooking. When interviewed about his future career plans, the inmate said he would return to his previous career as a Securities Trader. He had no intentions to work in cooking upon release.

There would be benefit in a policy which assisted in determining how resources are to be prioritised in terms of inmate development. Guidance would be helpful in deciding whether to focus development efforts on those inmates showing the most potential of gaining outside employment or those who display the most employability skill deficiencies. However, even if there were such a prioritisation policy in place, CIs could not effectively implement it at present owing to their currently limited process for employability needs assessment

The following example illustrates the type of issues that can arise without clear prioritisation of resources.

Correctional
Industries
Visits

In some prisons visited, inmates with more favourable work histories were more likely to be placed in Commercial Industries, as they were perceived as having better productive potential. CIs staff in those prisons believed that Commercial Industries offered more development opportunity for inmates than Service Industries.

It is recognised that skilled inmates are needed to run CIs and provide guidance and leadership to lesser skilled inmates. However, the above practice suggest that inmates in these prisons who have poorer work histories, and who therefore may be in most need of development, may receive lower development priority.

**More Guidance to
Correctional
Industry Staff**

Without formal inmate assessment tools to determine employability needs and detailed plans for individual inmate development, industry supervisors are left to their own instinct when dealing with inmate workers.

The role of CIs staff in developing inmates is gaining increasing recognition around the world. Such staff have been traditionally recruited because of their trade skills. However because they spend substantially more time in face to face contact with inmates than any other inmate development staff, they need to be good leaders, motivators and communicators. They must also be able to identify and address inmate employability issues. The Department recognises that expanded training in all these areas would be of value.

Correctional
Industries
Visits

Several CIs supervisors interviewed said there was little they could do with inmates who were disruptive, slow, uncooperative or “lazy” other than cautioning them and using discipline.

Many inmates interviewed said that inmates who were perceived by supervisors as “lazy” or uncooperative (because they displayed poor behaviour and attitudes) were either ignored by supervisors or disciplined which sometimes made matters worse.

Proper assessment of problem inmate workers might reveal a whole range of needs such as poor communication skills, low initiative and self-esteem, poor teamwork or problem solving skills. Such skills would not be helped in most cases by discipline alone. To ignore these inmates may mean ignoring those most in need of employability development.

If proper inmate assessment and planning were implemented with appropriate supervisor training, supervisors would have more guidance in dealing with each inmate. Employability criteria, against which an inmate can be assessed, could help supervisors to be aware of inmate issues, which may not always be visible or obvious. Inmate plans could clearly articulate issues for inmate development and the inmate development path for supervisors to follow in order to achieve plan goals.

**Better Information
on Effectiveness in
Developing
Inmates**

Without inmate employability development plans to set measurable performance targets for development, there is not an adequate mechanism in place to monitor how effectively CIs are enhancing an inmate’s development skills. This in turn means that CIs are unable to monitor how well they are enhancing skills across the working inmate population.

**Facilitating
Improved
Integration with
Other
Rehabilitative
Efforts**

CIs recognise that to enhance inmate employability skills (both generic and job specific skills), they need to work and interact with other inmate development programs such as psychology, education and welfare. These other programs can offer a more specialised response to more intricate employability development needs. For example, an inmate may have anti-social or disruptive work behaviour. There may be underlying causes behind an inmate’s negative work behaviour, which may require specialised counselling or therapy to bring to light and resolve.

Through improved inmate employability needs assessment, CIs and other rehabilitative programs can assess needs and plan together to determine appropriate strategies to address identified inmate needs. This would include:

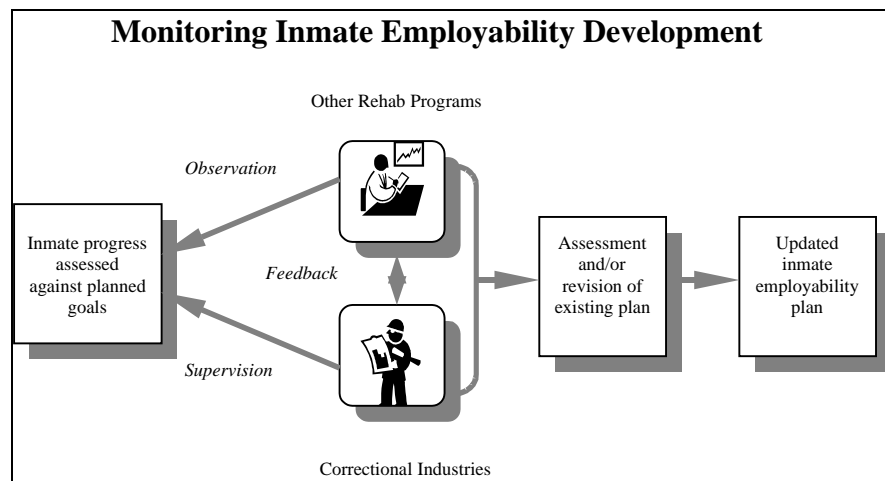
- ❑ deciding on the most appropriate strategies for dealing with identified employability issues
- ❑ establishing measurable goals for development achievement against which progress can be monitored and effectiveness of current strategies/actions assessed
- ❑ assigning roles and responsibilities between the different inmate development programs to implement planned actions based on consideration of the most appropriate mix of response from each of the programs
- ❑ establishing feedback mechanism between the different work and inmate development programs to report on strategy implementation and inmate progress.

All these factors would pave the way for better integration of rehabilitative programs, which the Department recognises are currently lacking. It would also allow inmate development programs to be more pro-active in their treatment of inmates.

**Facilitating
Monitoring of
Inmate
Development
Progress**

On the other hand, other inmate development programs staff need CIs staff to be their “eyes and ears” in monitoring inmate behaviour once the plan is implemented. Program staff need such assistance because they have relatively limited access to inmates compared to the CIs staff who spend the most time in direct contact with inmates.

The following model illustrates how the Audit Office considers that industry staff and other inmate development programs can work together to monitor inmate progress and adjust strategies as necessary.



**Improving
Communication
Between Inmate
Development
Programs and
Correctional
Industries**

Correctional
Industries
Visits

Because of the currently limited inmate needs assessment, which focuses on more generic type employability issues, CIs are less likely to identify and to relay inmate development issues to other development programs for response. This means that interaction between other programs and CIs is currently limited.

Program Managers said most inmate referral to inmate development programs happened at the request of the inmates themselves rather than from CIs staff (who they believed to be best placed to observe and identify inmate problems). They said that unfortunately this meant that most referrals came from those inmates who had the most initiative or were the most “vocal”. They said that this often meant that introverted inmates or those with less initiative who did not seek help, but who may also be in need of development attention were being ignored by the system.

Program staff said that that they frequently saw symptoms of worker behaviour problems such as inmates being sacked, inmates placed in isolation units or idle/ disruptive inmates in workshops, yet they only occasionally receive referrals from CIs’ staff.

The majority of Programs staff interviewed said that in addressing generic inmate employability needs, many of the typical rehabilitative needs of inmates could be simultaneously addressed. However they said that information on employability development coming from CIs staff varied in quality and was generally considered inadequate in meeting their information needs.

3.6 Vocational Guidance and Assessment

World better practice is now including long-term post-release employment planning (sometimes called "career planning") as part of the process. This approach has not yet been adopted for NSW inmates.

Correctional
Industries
Visits

Many inmates interviewed suggested that CIs are more interested in preparing them for the work they do inside than for the work they might do outside. They said the system has little interest in what work they wanted to pursue outside.

Post-release work guidance could help inmates identify their strengths, weaknesses and work interests and provide advice on job prospects in order to establish a realistic career path towards achieving a suitable outside job. CIs staff interviewed advised that many inmates lacked work direction having poor work histories.

Correctional
Industries
Visits

Some inmates interviewed said that if the “system” helped them to work out the type of job they should pursue and helped them to develop a path to achieve the job, then they would have more hope and direction in their lives.

One inmate who had been in and out of gaol over the past 20 years said each time she would enter prison without direction in her life and leave without direction.

She said having a work direction could break the re-offending cycle for many inmates by giving them something positive to strive for in their lives.

Other inmates said that such guidance would also motivate them to develop themselves whilst in prison because they would have something to work towards.

This appears to be supported by research. One Canadian researcher⁸ suggested that an offender who is unable to make choices and is instead willing to leave the future to chance is often unable to satisfy an employers demands, which inevitably leads to a lost job.

Advice received by the Audit Office from an employment specialist working with challenging employment placements, (including the long term unemployed and ex-inmates), indicated that career planning in prison would be very beneficial. She believed that inmates coming out of prison needed to have a resume of skills learned in gaol and career plan so as to:

- better help them to find the right type of job
- continue with the development work commenced in CIs
- facilitate outside job placement.

Post-release work planning can provide a path which inmates can pursue whilst in prison and continue on after release. Such planning can be incorporated as part of overall inmate employability planning. Post-release work planning can also be beneficial in planning inmate education. Many inmates interviewed said that many vocational education courses they attended were not relevant to the type of work they wanted to do post-release.

If inmates are actively involved in this post-release work planning process, they may be better motivated to build generic and job specific skills because they will be working towards achieving their own personal objectives rather than the production objectives of their CIs supervisors.

⁸ Jacques Broillard and Alain Sirious. “Employability in Practice”. Correctional Services of Canada, 1996.

3.7 Positive Departmental Initiatives

Pre-release Work Programs

Pre-release work programs are available for selected inmates. Inmates participating in the program are trained in building job seeking skills which includes preparation of resumes, job applications, interview skills. They also receive life skills training to assist inmate transition to outside life. Selected inmates are also assisted in finding outside jobs, which they can commence whilst serving their prison terms, returning to prison after each work day.

Limited information is available on the effectiveness of these pre-release programs in assisting inmates to find stable employment. However overseas research suggests that such programs are a useful component in assisting inmates to find post-release employment.

Whilst pre-release programs are a commendable initiative, inmate access to the programs is restricted to approximately 150 inmates per annum (1% of the population). In general, only the “best” inmates are allowed to participate in the programs. Safety and security aspects restrict the number of inmates who could potentially participate in the programs because of the risk posed to the community.

Increasing Access to Pre-release Programs

The Audit Office considers that whilst limited numbers of inmates may be suitable for work release because of security risks, all inmates could have access to elements of pre-release training such as in building job seeking skills prior to release. An employment specialist working with the long term unemployed advised that ex inmates who had worked in CIs were currently released without any history of their prison work experience and often displayed poor job seeking skills.

Overseas practice is moving towards greater inmate assistance in post-release job placement. CIs in Florida claim to have found work for 78% of its ex-offenders in 1999, largely through networking with employer groups. Such networking is vital because many employers look poorly upon ex inmates and are reluctant to employ them regardless of their skills and experience.

Recommendations

- **Initiate a shift in the inmate development emphasis towards providing inmates with broader foundational employability skills**
 - until this is achieved, the Department should address barriers which limit the effectiveness of the current development focus (of providing job specific skills) such as identified in this report.
- **Increase the focus on addressing individual inmate employability development needs**
 - inmate employability skill needs be thoroughly assessed against researched employability criteria
 - CIs and other Departmental inmate development units work together with the inmate to develop and implement detailed individual employability development plans to address each inmate's needs
 - post-release work planning and guidance be implemented for inmates to provide work direction
 - research be conducted to identify potential strategies for improving poor inmate work motivation
 - policy be established to determine how development resources are to be prioritised between inmates with varying development needs and with different levels of potential for development
 - CIs staff be provided with training to identify and address inmate employability skill deficiencies and obtain necessary leadership and communication skills
 - the pre-release work program and job placement elements of that program be made more widely accessible to inmates
 - improved performance indicators be instituted to monitor and assess CIs' achievement in developing inmate employability and enhancing post-release job placement
 - the Department give consideration towards providing job placement assistance for inmates whilst in prison to help them find post-release work.

4 Finding Enough of the Right Work

4.1 Issues Examined In this Chapter

For CIs to achieve their objectives they need to have enough of the right type of prison work available for inmates to be deployed into.

This Chapter examines the effectiveness of CIs in addressing this very significant and difficult challenge.

4.2 Finding the Right Type of Work

What is the Right Type of Work?

Given the key objectives of CIs, it follows that the "right" type of work for CIs is that which:

- keeps as many inmates as is practicable (given the environment), continually and productively occupied
- optimises inmate development
- generates operating surpluses and/or reduces routine prison running costs.

The issue of finding the "right" work to generate surpluses and/or reduce prison running costs is addressed in detail in the following Chapter. The other issues are examined in the following sections.

4.2.1 Finding the Right Work to Optimise Inmate Employability Development

Targeting Work which Optimises Inmate Employability Development

Finding the "right" type of CIs needed to optimise inmate employability and development is a difficult challenge. In this regard, limited progress only has been made to date.

The majority of CIs are historically based. Their selection has not been based on assessment of suitability in terms of meeting inmate development needs.

However, some new CIs have been developed in recent years, such as the assembly of flight passenger headsets. These achievements require concerted long term effort and are highly commendable. Even so, it can be viewed that the selection of these opportunities were made mostly by taking into account financial viability, likely business continuity, number of inmates potentially employed and whether skill requirements can be fulfilled by inmates. It is not suggested that inmate development is not considered. However, evidence does not suggest that it was a primary criterion in decision making.

Before CIs can be better targeted to match CIs overall inmate development needs, the overall collective employability needs of inmates and outside career ambitions/interest need to be researched.⁹

An inmate "skill levels and needs" database would be of great value. It could allow industry selection to be better tailored to address typical skill deficiencies and, perhaps, common career goals.

There would also be value in undertaking labour market research which could be utilised in the selection and maintenance of industry portfolios.

4.2.2 Creating the Right Working Environment

Creating a Realistic Working Environment

The Department recognises the need to create a working environment which, as far possible, replicates real-life work environments. In this way, inmates are assisted in the transition to outside work.

Building a Commercial Culture

In endeavouring to create such a working environment, the Audit Office observed that CIs have a clear emphasis on instilling a commercial culture in its Commercial Industries. CIs recognise that production efficiency provides benefits, which go beyond economic results. A well balanced approach to productive efficiency exposes inmates to a genuine commercial culture and contributes to inmate development.

CIs staff interviewed by the Audit Office were clearly focused on the need to generate sales, make financial returns, meet production deadlines, achieve product quality and satisfy customer service requirements. Quality certification in respect to some of the Commercial Industries are a major achievement in the process of building a commercial culture.

However, there is still room for improvement in creating a more realistic working environment, as discussed below.

⁹ As discussed in the previous chapter there is no detailed assessment of inmate employability needs or any career planning.

4.2.3 Barriers to Creating a Realistic Work Environment

Challenges for Commercial Industries

Reported high levels of inefficiency in Commercial Industries suggest that CIs still have some way to go before they truly replicate an external industry environment. Recent research¹⁰ found that it takes up to 6 inmates to produce the same output as one worker in the community.

Technology Issues

Research⁶ tends to indicate that equipment and technology used in CIs generally falls behind outside industry standards with equipment provided to inmates being simple and manually operated. The research⁶ indicated that the equipment was frequently old, lacked numerical control, was limited in functions and often only used for simple operations.

The research suggested that the reason for such equipment being selected is to maximise inmate employment. The consequence is reduced productivity. If inmates do not have adequate exposure to similar work practices used by employers, limitations on inmate development must also follow.

Challenges for Service Industries

In terms of Service Industries, staff and inmates interviewed by the Audit Office agreed that Service Industries are more removed from outside work environment than Commercial Industries. CIs staff and inmates indicated that Service Industries were more likely to be overmanned, leading to higher levels of “make-work” and resulting in less meaningful work and a greater degree of inmate idleness.

Correctional Industries Visits

An inmate described his working day in a Service Industries as 2-3 hours each morning before retiring to his cell for the rest of the day whilst receiving the full day’s pay. This was said to be common in the Service Industry he worked for.

The majority of Service Industries are lacking in a commercial culture, which some people argue is critical in building inmate employability.

¹⁰ 1999 Corrective Services Industries Review of Competitive Issues and Production Inefficiency (Janan Pty Ltd)

The Department recognises that Service Industries are lagging significantly in terms of inmate development and sees the solution in commercialising current Service Industries. Catering is one example of a successful service industry commercialisation. This industry now invoices prisons for meals provided and closely monitors costs of each food item and worker productivity.

However, commercialisation may not be the only answer. Although Service Industries are not seeking to operate “for profit”, it is still possible for them to operate in a business-like manner.

**Inmate Worker
Motivation Issues**

Even more difficult is the issue of inmate work motivation levels. If inmates do not work at a similar level to that expected by employers, then they are working in a less realistic environment. Research indicates that inmates are generally less motivated and applied than workers in external industry, viz

whilst it is not unusual to find unmotivated employees in commercial light industrial facilities, the lack of resolve is more pronounced in correctional industries taking up to 60% more inmate labour to produce a given output.¹¹

CIs claim that they are building a “work ethics” for inmates by getting them in the habit of attending work each day. This is not disputed. However, to achieve their desired objectives more attention will need to be directed to motivational issues. The difficulty in doing this is not disputed.

Inmate motivation is not only important in building work application. Program Managers interviewed said that inmates need to be motivated to make the most of development opportunities CIs provide.

4.3 Finding Enough of the Right Work

Whilst NSW CIs rate very well in terms of the percentage of inmates engaged in work, CIs managers advised that one of the key challenges for business development is finding sufficient work to keep inmates continually occupied. The challenge is made all the more difficult by rapidly rising inmate populations.

¹¹ 1999 Corrective Services Industries Review of Competitive Issues and Production Inefficiency (Janan Pty Ltd)

Difficulty Finding Enough Work for Inmates

Correctional Industries Visits

Many of the CIs staff interviewed admitted that there was not enough work to keep inmates continually occupied. The majority said that they could fulfil production requirements with less inmate worker numbers. Others said they received far more inmates than requested for manning level purposes.

Some felt pressured at the need to find inmates activities to do due to inadequate work loads. This they said often led to the assignment of meaningless “make-work” including creating unneeded positions such as a “Sweepers Assistant”. Some industry staff said that due to low work loads, they often felt they were just “babysitting” inmates, keeping them out of trouble.

Visits by the Audit Office to various CIs found that some CIs appeared to be working busily whilst others displayed various degrees of inmate idleness. Groups of inmates at one workshop were observed playing chess.

Impact of Insufficient Work on Inmate Development

Correctional Industries Visits

The inability to keep inmates productively employed in meaningful activity impacts on inmate development. The assignment of “make work” in times of low work loads does little for inmate motivation and development, as does inmate idleness in the work shops.

Many CIs staff and inmates interviewed said that due to low overall work loads, a typical workplace situation would consist of:

- ❑ groups of good workers who did most of the incoming work
- ❑ groups of “lazy” workers who contributed very little (spending a lot of time chatting and just “hanging around”)
- ❑ “lazy” non workers who discouraged and intimidated more motivated workers.

4.4 Barriers to Finding Enough of the Right Work

There are a number of factors which can limit the ability of CIs to find enough of the right work. CIs managers felt that trends towards the downsizing of the public sector, and the decline of the Australian manufacturing industry sector were diminishing traditional CIs markets. Research was not available to confirm these views. However, there are a range of other factors which can impact on the ability to find work, as discussed below.

4.4.1 Public Perceptions

External Perceptions of Correctional Industries

Commercial Industry Managers advised that outside businesses have a generally negative perception of CIs and are reluctant “to place their business future in the hands of a Correctional Service”. Negative perceptions relate to prison work quality and timeliness /reliability in delivery.

CIs’ management advised that proposed business ventures by CIs often meet with public suspicion, fear and opposition. They advised that private sector competitors, employer associations and even the general community are all concerned that prison labour will displace workers in the community.

4.4.2 Competition Restrictions

Inability to Compete in an Open markets

Unlike their private sector counterparts, Commercial Industries are not free to target any market they see fit. CIs are mindful of public opposition to entering markets which could potentially displace workers in the community.

To protect local labour in the community, restrictions prevent CIs from competing with other Australian business if that competition is likely to have “unreasonable” or “significant” impact on those businesses. Under the restrictions, CIs are also prevented from forming business associations and partnerships with the private sector, unless assurance is given that local labour will not be displaced by the partner, and that competitors employment levels will not be impacted.

All CIs business propositions over \$10,000 including tenders and private sector associations and contracts are vetted by the Correctional Industries Consultative Council. The Council was formed to monitor and control the impact of CIs on Australian business.

Impact of Competition Restrictions

The purpose and merits of the competition restrictions are not questioned. It needs to be noted, however, that such restrictions limit the achievement of the objectives for CIs because the range of potential work is restricted by limited market opportunities.

Management advised that the restrictions limit CIs' markets to competing with importers utilising foreign labour. This has the following consequences:

- CIs are generally uncompetitive in this market area
- in substituting imported labour, work tends to be labour intensive and low skilled, providing only limited inmate development potential
- the job prospects of inmates working in import labour substitute CIs may be limited as major job markets for these industries are likely to only exist in cheap labour countries.

Setting the Parameters for Competition

It would be helpful if the imposed restrictions on CIs competition provided clear parameters. This would assist CIs to better distinguish between acceptable and non-acceptable business development strategies. It would also clarify whether current CIs (some of which may have a material impact on other businesses) are in compliance with the competition restrictions.

Options for the Future

The business environment has changed much since the competition restrictions were established (late 1980s). Expert reports suggest that CIs do not enjoy an unfair competitive advantage over private sector employers.

Some states in the US (such as Oregon) have recently lifted similar competition constraints to allow CIs free access to the open market.

Another option is to introduce open tendering for prison labour utilisation. In this way, all competitors have the opportunity to bid for the prison labour, eliminating any perceived unfair advantage given to private sector associates doing business with CIs.

Many prisons CIs around the world have no access to the open market. Instead they have preferential access to public sector markets where public sector agencies are required to give preference to CIs when purchasing goods and services.

CIs in NSW have neither unrestricted access to the open market or preferential access to public sector markets. In this sense, CIs in NSW operate in a more constrained environment than in other jurisdictions

CIs' management has advised that "*the support of Government in utilising inmate labour would be a welcome support in an otherwise bleak negotiating environment*".¹² Management also advised that past efforts to create preferential public sector markets were unsuccessful.

4.4.3 Business Development Planning

Given the nature and extent of challenges to be confronted, the Audit Office believes that improved business development planning would be of significant value to CIs. For example, a well planned approach to business development could assist in:

- identifying opportunities to generate more work from existing CIs
- identifying opportunities to establish new businesses
- setting clear and defined strategies to take advantage of those opportunities.

Service Industries currently lack business development planning. There is not a coordinated approach for identifying new opportunities within the Department for expanding Service Industries.

Commercial Industries do undertake business development planning. This is contained in its Marketing Plan. The aim of the Marketing Plan is to identify, implement and service market opportunities. This is helpful. However, there would be benefit in expanding the level of detail in the plan. Overall observations by the Audit Office regarding the Plan are that:

- it does not specifically address or cover many of the key barriers to business development (as discussed). Whilst some of these barrier may seem to be inherent , there is still much that may be possible to minimise their impact
- strategies could be more detailed to provide direction as to how to identify business development needs and opportunities or how to pursue and win those opportunities
- strategies are intended to cover the broad range of Industry business units. They are therefore too broad to have valuable application to individual business units which are diverse in nature
- formal market research would help in identifying market opportunities and in establishing the most appropriate market positioning for current and future CIs
- the majority of business units do not have individual business development/marketing plans or promotional plans.

¹² March 2001 Department of Corrective Services response to the Audit Office Issues Paper.

To illustrate the limitations in current business development planning, marketing strategies for specific business units include the expansion of sales in broader market sectors. However there is no detailed strategy as to how this is to be achieved, and promotional plans do not exist to support set strategies.

4.4.4 Marketing

Limited Marketing to Support Industries

Marketing for CIs has been careful not to generate community or competitor opposition.

Correctional Industries Visits

In one industry visited, the Industry Supervisor advised that Commercial Industry business development had been unable to generate any work since the unit was established. The Supervisor claimed he had to do his own promotional activity in order to keep inmates occupied.

Many of the CIs staff thought that their CIs were not sufficiently supported by marketing which left them to take on marketing roles, even though this was not an assigned responsibility for their position.

Much of the marketing is done through networking and word of mouth. These efforts are limited by low levels of resources invested in marketing and the lack of formal promotional planning for CIs.

Commercial Industries employ one dedicated sales person to promote the current 80 business units, employing 2,350 workers. That person is also responsible for developing new CIs for the growing inmate population. Expenditure on promotional activity for the financial year ended June 2000 was approximately \$100,000 or \$1,250 for each business unit. Of this expenditure \$5,000 was spent on advertising. Canadian CIs employ similar numbers of inmates to NSW prisons, and spend around \$4.1 million on marketing and generate sales of around \$70 million compared to NSW sales of \$26 million.

Given the low level of investment in marketing, Commercial Industries have performed remarkably well. This is due to the support shown by CIs staff at all levels in endeavouring to find work. However such support is not encouraged in the Marketing Plan as it distracts these staff from their key operational responsibilities. The question arises as to how CIs intend to maintain and increase current sales without such continuing support.

4.4.5 Internal Sales

The Department Could “buy” More of its Own Produce

The Department of Corrective Services is CIs’ biggest customer. However CIs’ management believe that it could be a bigger customer.

The Department has a vested interest in the success of CIs. A preference policy exists within the Department where, subject to CIs fulfilling delivery, quality and overall service requirements, CIs are given preference to external providers. However anecdotal advice to the Audit Office suggested that there is widespread non-compliance with this requirement.

CIs recognise there is a need for an improved level of internal promotion to change this situation.

It was also observed that in tendering for Departmental work, Commercial Industries quoted prices as though they were selling to an external customer (which cover fixed costs and include a sales margin). This is consistent with outsourcing and competitive tendering guidelines for internal providers. However, the practice may not be suitable to the situation. The internal group, in this case inmates, cannot be retrenched or redeployed if the work is won by an external provider. This leaves the Department with the ongoing fixed costs of the inmates, as well as having to pay a fee for service to an external provider. The net cost to the Department is thus most likely to be higher. In this sense CIs’ objectives to reduce the day to day running costs of prisons are not achieved.

4.4.6 Inmate Skills Inventory

CIs claim that another factor restricting business development is the generally low skilled nature of its inmate work force. CIs say that this prevents them from entering markets requiring more skilled labour, such as technology oriented industries or those requiring more complex processing techniques.

Whilst CIs make this overall observation, they do not keep any inmate skills inventory for their workforce. If such an inventory existed they would have a better knowledge of the type of market opportunities they can target and this may open new opportunities for CIs.

Recommendations

Finding Enough of the Right Work

- **Target work which optimises inmate employability development**
 - CIs should place more emphasis on inmate development needs in planning business development
 - address barriers to creating more realistic work environments.
- **Increase the quantity of work to keep inmates productively occupied**
 - strategies be developed for identifying internal work opportunities and for the internal promotion of CIs
 - the Department monitor compliance with its preference policy for “purchasing” internally from CIs
 - Commercial Industries increase business development planning and marketing efforts
 - The impacts on CIs’ effectiveness resulting from current market restrictions and the lack of requirement by public sector agencies to give preference to CIs goods and services when purchasing, be examined and reported. In so doing, current restrictions limiting competition with the private sector should be clarified to provide clearer guidance and boundaries to CIs in their efforts to generate business. Compliance of current CIs with these restrictions should also be reviewed.

5 Working to Reduce Prison Running Costs

Issues Examined in this Chapter

One of the key objectives of CIs is to reduce the routine operating cost of running prisons. This implies that:

- prison labour is utilised where appropriate to provide goods and services to the Department of Corrective Services at a lower cost than can be obtained from outside sources and/or
- Commercial Industries sell goods and services to external clients at greater than cost in order to make a revenue contribution to the Department and/or
- CIs provide indirect financial benefits/cost savings to the Department by facilitating the management of inmates (avoiding problems associated with inmate idleness).

The performance of CIs in achieving each of these factors is described below.¹³

5.1 Utilising Inmate Labour To Reduce Prison Running Costs

The key “client” for CIs is the Department of Corrective Services. Service Industries provide laundry cleaning, maintenance, gardening services for the Correctional Centres. Commercial Industries also provide goods and services to the Department such as furniture and printing through internal sales.

Measuring Cost Savings to the Department

It is difficult to ascertain whether or not Service Industries and internal sales from Commercial industries reduce the cost of running prisons. Such cost reduction is not routinely monitored. The cost of providing internal goods and services is not compared against costs to the Department, if goods and services were all sourced externally.

Correctional Industries Visits

Many of the CIs staff interviewed believed that Service Industries were saving the Department money. They believed that such CIs are providing goods and services to the Department cheaper than could be provided by external providers. However they advised that were not able to support these claims by documented cost-benefit or benchmarking analysis.

¹³ Whilst recognising that financial objectives need to be balanced with the other CIs’ objectives, this chapter focuses on business performance only. Other objectives have already been discussed in the previous chapters.

CI's are not focused on driving performance to achieve the overall cost reduction objective. An absence of information for monitoring of cost reduction also means that CI's are not accountable for cost savings achieved.

As previously mentioned scope exists for increased utilisation of inmate labour by the Department. However, the absence of comparative cost analysis makes it difficult for CI's to demonstrate the benefits of buying internally.

5.2 Financial Performance

In selling goods and services externally, Commercial Industries are expected to generate a commercial surplus in order to achieve the prison cost reduction objective.

Commercial Industries Incur a Cost to the Department

After factoring in all attributable Departmental overhead, CI's do not generate a commercial surplus. They mostly run at a commercial deficit. This means that rather than reduce prison running costs, they add to that cost. Departmental estimates indicate that CI's add to the cost by at least \$6 million for the financial year ended June 2000.

There are many factors which reduce CI's' ability to generate surpluses as discussed below.

5.2.1 Difficulty in Finding Enough Profitable Work

There are many barriers which make it harder for CI's to find enough of the "right" work. In the context of this chapter, the "right" work includes business which is financially viable.

CI's need to access to viable markets if the overall prison cost reduction objective is to be achieved. Before this can happen, barriers (external and internal), which hinder market accessibility as discussed in the previous chapter need to be addressed.



Correctional Industries Visits

The Department is funding several non-viable businesses and many business units budget for a deficit. The Audit Office was advised that this will continue until such time as alternate more viable businesses can be found. The task of finding new work has proven to be a slow and difficult one.

5.2.2 Difficulties with Inefficiency

CIs' management advise that they find it difficult to compete with the private sector. They have had limited overall success in winning tenders and generating new business. CIs are generally regarded as inefficient. Recent research found that it takes between 4 to 6 inmate workers to achieve the same output as one worker in the community.

Operational Constraints Affect Efficiency

That research found operational constraints which contributed to high inefficiency levels included:

- ❑ lost inmate and supervisor time as a result of prison security procedures such as lockdowns, searches and disruptions, such as inmate attendance of other rehabilitative and education programs, legal visits etc.
- ❑ high levels of inmate turnover as a result of inmate transfers between prisons and the fact that the majority of the inmates are serving short prison terms
- ❑ low overall inmate worker skill levels
- ❑ poor inmate motivation and work application
- ❑ less than optimal facility layouts given that design emphasis is usually on security rather than operational efficiency
- ❑ difficulties in moving inventory in and out of prison.

Recent research noted that the high levels of inefficiency were consistent with previous research (1993). This suggests that there has been little progress in resolving such constraints over time. There are no detailed formal strategies in CIs planning specifically addressing these constraints.

Steps to Address Efficiency Issues

Rather than accept the above constraints as a given, CIs can take steps to improve efficiency. For example, lost inmate and supervisor productive time is now being closely monitored and measurable targets of performance have been established. Recent improvement in communication and relations between Correctional Centre and CIs staff is claimed to be reducing lost inmate and supervisor time. The Department needs to continue with such initiatives in its planning to addressing other recognised constraints.

5.2.3 Monitoring Business Performance

Limitations on Existing Management Information Systems

The Department recognises that its current management information systems are inadequate for the purposes required by CIs. The information system is to a large extent, manually based. For example, order entry, invoicing and inventory management all require manual input and checking. This has created problems with the accuracy and timeliness of information needed for the effective monitoring of business performance. The Department is currently in the process of installing a new information system which it hopes will rectify these problems.

Limitations on Existing Financial Reporting

Commercial Industries produce financial reports for performance monitoring and reporting purposes. However it is difficult to determine from these reports which CIs are running at a surplus, which business units are reducing Departmental costs and which are adding to those costs. This is because the reports do not recognise all the attributable costs incurred by each business unit in calculating net contributions to the Department.



Correctional Industries Visits

Departmental Overheads such as Industry building maintenance and administration costs are not always recognised by business units.

They advised that cost allocation is sometimes negotiated with Prison Staff at each Correctional Centre. For example, where a business unit can not “afford” Departmental expenses such as the cost of industry supervisors or utilities (such as electricity and telephone), they will try to pass on some or all of those costs so that they are recognised by the Centre instead of the business unit. This improves the net contribution/profit reported by the business unit.

Such internal costing practices do not make any difference to the Department’s overall financial position (unless such costing is reflecting in Industry pricing for external sales – not reviewed as part of this audit). However, such costing reduces the information value of the business unit financial reports

Providing A Clearer Picture on Apparent Surpluses

Financial reporting weaknesses also impact on accountability. The monthly financial reports are presented by CIs for Departmental review. Because of reporting inadequacies, the majority of business units are represented as “profitable”, whilst in reality they are not.

Information from the financial reports is also used by the Department in reporting overall performance for CIs. This affects accountability by providing potentially misleading information. For example, the Department's 1998/99 Annual Report stated "a gross contribution of \$7.8 million was made (by CIs) to offset the cost of correctional services". The report does not reflect that CIs made a loss that year of at least \$7 million after all attributable cost were factored in. The gross contribution quoted also includes sale margins on sales made internally to the Department and is therefore artificially inflated.

The Audit Office observed that there was some debate within the Department regarding the definition of "attributable costs". Whilst operating in a prison environment complicates this issue, a commonsense approach is the best guide. A formal, consistent definition and treatment of attributable costs is required. This will facilitate meaningful and accurate information and reporting on profitability at both CIs and Departmental level, and enhance accountability and commitment to achieving prison cost reduction objectives.

5.2.4 Pricing For Commercial Surpluses

Pricing and costing policies exists for Commercial Industries to price products and services at levels which

- ❑ cover all the costs of raw material, direct labour and overheads
- ❑ earn a sales margin.

Compliance with this policy is fundamental to CIs achieving the prison running costs reduction objective.

Ensuring Compliance with Pricing Policy

The Audit Office did not audit CIs compliance with this policy. However discussion with the Department's internal auditors indicated that of 12 CIs business units reviewed in recent years, 25% were found to have examples of sales being made at less than cost or below the approved price lists. Internal audit went on to state that such pricing:

not only clearly impacted on profit but can place the Department in a potentially invidious position of defending itself against accusations of financially supporting a private sector business associate

Non compliance with the set pricing policy increases the potential for perceptions of corruption. Corruption, whether real or perceived, could do considerable damage to the future existence of CIs and to the reputation of the Department particularly given CIs “fragile” standing in the market place.

Compliance with the set pricing policy is also important in providing some level of assurance that CIs are not “unfairly” competing against private sector competitors. If CIs sell below cost, this may be seen as in breach of National Competition Policy. Competitors may claim that CIs are being subsidised by the public sector, giving them an unfair competitive advantage. CIs already operate under a common perception of having an “unfair” competitive advantage because of their access to cheap inmate labour (wages average around \$1.10 an hour).

5.2.6 Probity Guidance

Whilst CIs business units endeavour to operate like private sector entities they remain part of the Department. They are therefore bound by public accountability and transparency issues (unlike their private sector counterparts). It is therefore important for CIs to promote probity in all its dealings with the private sector to ensure:

Probity Objectives

- that obtaining best value for public money is enhanced by promoting open competition between potential customers/ business associates and regular market testing deals entered into
- impartiality and fairness in all dealings, by having transparent, open processes to minimise fraud and corruption and address conflict of interest issues
- appropriate mechanisms provide accountability for practices and decisions made in deals with the private sector.

The Audit Office believes there would be value in providing greater probity guidance to CIs staff. No detailed probity plan exists to ensure that the above probity principles are achieved in all business dealings with the private sector.

Some probity recommendations were made in a 1992 Ministerial Review of CIs. That Review called for a standard form of government tendering process to be utilised to invite private sector participation in business undertakings. The review also recommended that for existing contracts with the private sector, tenders be recalled at the expiration of the contract, which will normally be no longer than 2-year in duration.

The Review recommendations do not appear to have been implemented. CIs currently enter into business arrangements in a variety of ways including winning advertised tenders, calling for non-business specific expressions of interest and targeting potential partners through its business networking. Current business contracts range up to 5 years with no requirement for tenders to be called where contracts are extended or renegotiated. There is currently no detailed guidance provided on entering into private sector partnerships.

5.3 Indirect Financial Benefits

CIs management claims that whilst CIs may not be profitable in pure financial terms, CIs provide substantial indirect cost savings to the Department. They suggest that by keeping inmates occupied, inmate idleness and associated inmate behavioural problems and disruption can be reduced. This is claimed to facilitate overall inmate management and reduce prison running costs because of lower levels of uncooperative and troublesome inmates' behaviour.

In-house research conducted by the Department found that CIs are seen by Prison Governors as clearly contributing to a broad range of benefits. These included, reduced number of inmates' misconduct reports, reduced tension between inmates and officers and increased inmates self esteem and overall behaviour. The research also indicated a positive influence on post-release employment and, public support for conducting vocational/employment programs within Correctional Centres.

The research concluded that the above benefits would provide substantial cost savings to the Department and the general community. However the extent of cost-savings cannot be determined due to lack of baseline data.

Recommendations

Reducing Prison Running Costs

- **Decrease costs to the Department of operating CIs through improved management practices**
 - inadequacies in management and financial reporting be addressed to provide for more accurate and timely management information and for greater levels of accountability (in generating cost savings and/or operating surplus dividends)
 - business planning address factors affecting efficiency
 - a transfer pricing policy be implemented for Industry internal “sales” to the Department
 - more comprehensive probity guidelines be developed to ensure that all business dealings with external parties are carried out in an impartial, fair, competitive and open manner to ensure integrity and best value for money
 - the cost/benefit of continued Departmental funding of non-viable CIs be reviewed, in terms of financial costs to the department and value to inmate in terms of employability development. Business development planning needs be enhanced to target more profitable businesses
 - CIs’ staff be provided with adequate training in business and operational management.

Appendices

Appendix 1 - The Audit

- Objectives** This audit examines the efficiency and effectiveness of Correctional Industries (CIs) in meeting their key objectives to:
- help rehabilitate inmates, by providing them with work related skills and experience needed to enhance their ability to find and retain a job and lead productive lives on release
 - keep inmates occupied, and therefore facilitate inmate management, by minimising undesirable inmate behaviour associated with inmate idleness and boredom
 - to reduce the costs of running prisons, through the productive utilisation of inmate labour.

The key emphasis of the audit was to examine CIs' approach to developing inmate employability. The audit also focused on CIs' overall planning methodology and the overall management practices used to generate cost savings and sales revenues.

Criteria **CIs' performance was assessed against the following audit criteria:**

1. Planning

- CIs' activities are based on adequate planning efforts, which include well defined program goals, objectives, strategies and performance measures

2. Maximising Inmate Employability

- Inmates' needs in terms of enhancing generic employability and job specific skills are assessed and a tailored program for improvement is developed
- Inmate progress in terms of developing employability is closely monitored with adequate reporting and accountability arrangements in place to report on prisoner achievements relative to present goals/strategies
- Priority of access to employability skill development between inmates is consistent with the comparative skill needs of competing inmates
- CIs' work selection and development is based on suitability in meeting analysed inmate employability needs and as far as possible, targets industries which have strong labour markets
- As far as possible, CIs replicate similar industries operating outside in order to provide more realistic work experience for participating inmates
- CIs' staff involved with improving inmate employability have adequate training
- Pre-release work programs are having a positive impact on post release employment

- Overall effectiveness of CIs in developing inmate employability is adequately monitored and reported

3. Reducing the Cost of Running Prisons

- CIs' programs are reducing the cost of running prisons
- Pricing policies exist to guide CIs to achieve financial objectives and compliance with such policies is regularly monitored
- Appropriate measures are taken to minimise impact of recognised operational constraints associated with operating CIs within a prison environment
- Financial performance/viability of CIs is appropriately monitored
- Appropriate reporting and accountability mechanisms exist in respect of financial performance/cost savings
- CIs are supported by effective marketing and business development
- Service Industries are maximising utilisation of inmate labour towards reducing prison running costs
- Staff are adequately trained to ensure optimal financial performance of CIs.

Audit Field Work The audit team visited the following Correctional Centres.

Lithgow	Bathurst	Mulawa
Oberon	Silverwater	Long Bay

As well as observing the operation of a wide range of CIs' units at these Centres, the audit visits included structured interviews with Governors and relevant CIs and Inmate Development Services staff. Groups of inmates were also interviewed at each Centre to obtain common views and experiences.

The Audit Office also collected material related to world better practice and alternate approaches to dealing with common challenges facing many CIs programs world wide. A bibliography is included in Appendix 2.

Appendix 2 - Bibliography

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Appendix 3 - Response to Recommendations by the Department of Corrective Services

Recommendations	Department response
<p>Setting a Clear Direction</p> <p>* The Department should establish long range strategic planning for both Service and Commercial Industries which:</p> <ul style="list-style-type: none"> - incorporates clearly defined and prioritised objectives and goals - provide more detailed strategies for achieving goals and objectives and for addressing difficulties in operating in a prison environment - incorporates appropriate performance measures to allow industry effectiveness in meeting objectives / goals to be monitored. <p>* Industry strategic planning should be integrated with the planning of other Departmental inmate development units such as Education and Psychology to provide for a more coordinated and seamless inmate development path.</p> <p>Preparing Inmates for Post Release Work</p> <p>* The Department should consider shifting inmate development emphasis on providing inmates with broader foundational employability skills which are transferable to the wide variety of work which inmates might pursue upon release. In the mean time, the Department should address current barriers which limit the effectiveness of the current development focus of providing job specific skills to perform prison work such as identified in this report.</p>	<p>* NSW correctional industries have pursued a deliberate policy approach which seeks to provide optimised implementation of the tripartite objectives of Correctional Industry operation i.e. inmate development, correctional centre management and economic or reparation considerations. This approach will continue. It is not considered realistic to provide a prioritised weighting to each of these objectives however an improved and formalised approach to inmate development considerations will be implemented as detailed in the response to other recommendations.</p> <p>* Agreed. The format and content of the CSI annual business plan will be modified to include specific strategies over all areas of planning need. The existing approach to deal with 'correctional difficulties' and constraints will be supported by a formal framework of support to staff.</p> <p>* The existing planning and review structure embraces a range of performance measures including the national performance indicator for correctional industry overall performance. This range of measures will be embraced within an overall framework with specific emphasis on inmate development.</p> <p>* A far reaching review of inmate services and programs has now been completed with a key intention to achieve an integrated level of program delivery. The review includes and embraces as part of inmate program delivery the operation of correctional industry programs.</p> <p>* The overriding inmate development emphasis, currently existing within correctional industry programs, already identifies broad based employability skills as the pre-eminent consideration. This occurs through the development and operation of work environments which embrace a range of real world attributes i.e. basic education and workplace communication needs, productivity, quality and customer focus linked to developing individual pride and responsibility. It is accepted however that a formal framework is required to support these endeavours including their direct linkage to the case management system and to the evaluation of inmates at reception, program involvement and release.</p>

Recommendations	Department response
<p>* In terms of addressing individual inmate development needs it is recommended that:</p> <ul style="list-style-type: none"> - inmate employability skill needs be thoroughly assessed against researched employability criteria - Industries and other Departmental inmate development units work together with the inmate to develop and implement detailed individual employability development plans to address each inmates needs - post release work planning and guidance be implemented for inmates to provide work direction - research be conducted to address the issue poor inmate work motivation - policy be established to determine how development resources are to be prioritised between inmates with varying development needs and with different levels of potential for development - Industry staff be provided with training to identify and address inmate employability skill deficiencies and obtain necessary leadership and communication skills - Staff performance in developing inmates be closely monitored - Job Placement training elements of the Departments inmates Pre-release Program be made more widely accessible to all inmates in need of such Training 	<ul style="list-style-type: none"> * Agreed. The development of sound based inmate employability skills program is in train. * Agreed. This concept is embraced within integrated program delivery and will form the basis of inmate development endeavours at each correctional centre through the Centres inmate service and program plan which includes the organisation of correctional industries. * Agreed. The notion of inmate work planning will be embraced as part of a throughcare model of inmate development being developed by the Department. However, it is emphasised that to a large extent a range of inmate development opportunities are provided to inmates as a basis of instilling self-responsibility. Therefore inmates will be expected as part of a throughcare model to take clear responsibility for their future life including work planning. * Not agreed. It is considered that the reasons for qualified motivation by many inmates to correctional endeavours are well known and understood. In terms of overall correctional research priorities it is not considered that the conduct of a research study into inmate work motivation is an appropriate course. However, through a range of inmate development endeavours, continuing commitment exists to resolve inmate motivational issues. * Agreed. The review of inmate services and programs identifies a future course which will concentrate inmate development endeavours towards those inmates with greatest need and who will be in the correctional system for a period which provides effective application of resources and achievement of program results. * Agreed. The appointment of a Learning Services Co-ordinator to the Centre for Professional Development Corrective Services Academy specifically for CSI staff has the attention of addressing a range of training and development needs as part of an annual evaluation of those needs for industry staff. * Agreed. This is addressed through the Departments staff performance management system. * The involvement of inmates in pre-release programs is subject to stringent entry and participation criteria. No immediate change to this criteria is proposed. However the notion of providing inmates with pre-release workplace training will be broadly addressed through the Departments throughcare system.

Recommendations	Department response
<p>* Improved performance indicators are needed to monitor and assess Industry achievement in developing inmate employability and enhancing post release job placement.</p> <p>* The Department should give consideration towards providing job placement assistance for inmates to help them find post release work such as by building networks with ex-inmate friendly employers.</p> <p>Finding Enough of the Right Work</p> <p>* In terms of targeting work which optimises inmate employability development, it is recommended that Industries:</p> <ul style="list-style-type: none"> - strategies be developed for identifying internal work opportunities and for the internal promotion of Prison Industries - the Department ensure strict compliance with its preference policy for “purchasing” internally from Prison industry - Commercial Industries improve business development planning and marketing efforts - The impacts on Prison Industry effectiveness of current market restrictions and lack of mandatory markets be examined and reported. In so doing, current doctrine restricting Industry competition with the private sector should be clarified to provide clearer guidance and boundaries to Industries in their efforts to generate business. Compliance of current Industries with this doctrine should also be reviewed. <p>* Industry staff be provided with adequate training in business and operational management.</p>	<p>* The maintenance of appropriate performance indicators has been covered in an earlier response. The monitoring and setting of performance indicators for post-release job placement poses a range of external factors beyond the control of the Department and therefore it is not considered realistic to establish performance indicators for post-release job placement.</p> <p>* The Departments inmate throughcare model will incorporate job placement assistance where that assistance can be provided through external employment agencies. It is stressed however that given the number of inmates released from the NSW correctional system the Department does not have the resources to provide a broad based employment placement service to inmates.</p> <p>* Agreed. This expectation will be embraced within the CSI marketing plan and specific promotional strategies.</p> <p>* Agreed. This expectation will be accommodated with clear marketing strategies to attract and retain marketing opportunities within the Department across the range of correctional industry endeavours.</p> <p>* Agreed. Whilst recognising the significant business development expansion in correctional industries over recent years it is accepted that given the continuing increase in the correctional population, creative means need to be identified to develop further market opportunities. It is proposed that the form and structure of the CSI marketing and promotional plan will reflect this forward expectation.</p> <p>* Not agreed. The application of a mandatory market base for correctional industries in NSW is not considered realistic from the perspectives of Government and industry support nor create the type of inmate development environment to which the performance audit encourages the Department. The existing business development environment and impact on other businesses is not considered to require either clarification or review given the overall role of the Correctional Industries Consultative Council of NSW in this regard.</p> <p>* The recent appointment of a Learning Services Co-ordinator to the Centre for Professional Development Corrective Services Academy for CSI staff will impart the training and development needs of industries staff from business and operational management perspectives.</p>

Recommendations	Department response
<p>Reducing Prison Running Costs</p> <p>* Inadequacies in management and financial reporting need to be addressed to provide for:</p> <ul style="list-style-type: none"> - more accurate and timely management information' - greater levels accountability for generating cost savings and/or operating surplus dividends to the Department in accordance with prison cost reduction objectives <p>* Business planning needs to address the high level of Prison Industries inefficiency and the underlying causes</p> <p>* Internal controls to ensure compliance with Pricing and Costing policies need to be tightened</p> <p>* Clear policy needs to be established for guiding decision making where Industries are contemplating making sales at prices below cost to external, non-public sector clients</p> <p>* Transfer pricing policy needs to be implemented for Industry internal "sales" to the Department</p> <p>* More comprehensive guidelines are needed to ensure that all business dealings with external parties are carried out in an impartial, fair, competitive and open manner to ensure integrity and best value for money is achieved in all dealings.</p> <p>* The cost/benefit of continued Departmental funding of non-viable Industries be reviewed, in terms of financial costs to the Department and value to inmate in terms of employability Development. Business Developing planning needs to be improved to better target more profitable businesses.</p>	<p>* Agreed. The introduction of the Pronto business information and management system covering correctional industry operations is expected to address this expectation. The roll out for this system however involves a period of some four years.</p> <p>* Significant accountability already exists covering the overall financial performance of commercial based programs. This is reflected in the extraordinarily positive transition which has occurred in that performance over the last decade. However, the introduction of the Pronto business information and management system will assist to better quantify overall costs and meet performance expectations. Rationalisation of service industries towards a commercial footing will also better enable the Department to quantify savings in provision of these activities.</p> <p>* It must be recognised that a large component of 'so called' correctional industry inefficiency results from the concentration of effort upon inmate development. Adoption of various recommendations in connection with inmate development contained within the performance audit will further increase commercial inefficiency. However an ongoing commitment exists to wherever possible eliminate or reduce inefficiencies which have no program or correctional foundation.</p> <p>* Agreed. A formal control framework will be introduced to confirm the continuing application of costing and pricing policies.</p> <p>* The existing pricing policy stipulates that products/services are not to be sold at below cost price and this policy is religiously applied. However, additional controls will be included within the costing and pricing control framework.</p> <p>* This issue will be addressed as part of the introduction and implementation of the Pronto Business Information and Management System.</p> <p>* This recommendation will be addressed as part of the ongoing enhancement of the CSI policy manual, development of corruption prevention strategies and the role of the Departments proposed Executive Director Probity & Performance Branch.</p> <p>* An annual review framework will be introduced to identify correctional industry programs which might not be providing an acceptable level of program/commercial return with a view to eliminating those activities which do not fulfil program/commercial standards.</p>

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