



National Disability Services

STATE OF THE DISABILITY SECTOR REPORT 2015

The NDIS is the right destination. To deliver on its promise providers need sufficient resources and a clear map of the terrain ahead.



Centre for
Applied Disability
Research

An Initiative of National Disability Services

Publisher

National Disability Services

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About National Disability Services

National Disability Services is the peak industry body for non-government disability services. Its purpose is to promote life opportunities and quality service provision for people with disability. Its Australia-wide membership includes over 1,000 organisations, which support people with all forms of disability. Its members collectively provide the full range of disability services – from accommodation support, respite and therapy to community access and employment. NDS provides information and networking opportunities to its members and policy advice to State, Territory and Federal governments.



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INTRODUCTION



The journey to the National Disability Insurance Scheme (NDIS) is gathering pace. 20,000 participants in seven states and territories now have an approved NDIS plan; a new site is commencing in northern Queensland; and bilateral agreements now outline how the NDIS will roll out across NSW and Victoria.

The NDIS is the right destination. It will double the funding for disability support, expand choice for people with disability and their families, invest in early intervention and replace a fragmented inequitable system with one that gives people across Australia access to reasonable and necessary supports.

But there are legitimate questions about how we get to this destination and at what pace; and how to turn the ambitious vision of the NDIS into reality. How can we create an NDIS that works well for everyone?

For disability service providers, the journey to the NDIS is arduous and uncertain. Providers don't lack the will to proceed, but they do lack resources and a clear map of the terrain ahead.

This year's release of strategies which outline the NDIS market architecture, the approach to purchasing assistive technology, the Information Linkages and Capacity-Building framework and rural and remote support provide some guidance. However, these strategies are high-level and require detailed action plans to give them practical meaning.

Other parts of the NDIS are still unknown, for example, the regulation of quality and safeguarding and some critical features of the design, such as pricing and housing, remain highly problematic.

The ultimate test of the NDIS will be how well it improves the lives of Australians with disability. There are early stories from the trial sites which give a glimpse of the beneficial impact the NDIS can have on the lives of participants and their families.

For these stories to become the norm across Australia, the NDIS must have a service sector that is dynamic, financially sustainable and rewards providers of high-quality supports. Consumer choice will help drive this, but it won't be sufficient. There must be a well-tuned combination of pricing, regulation, expertise and commitment.

Sector development is a critical element in the transition to the NDIS. NDS is involved with many projects around Australia that are assisting providers to prepare for the new business environment ahead. The NDIS cannot afford to allow good not-for-profit providers to flounder because they lack business systems or marketing skills. The Australian Government's Sector Development Fund should increase its strategic investments.

The NDIS is not the only destination on the horizon. The Australian Government is drafting plans to reform disability employment support. NDS has long argued that the disability employment

system needs change. Australia's low disability employment rate must improve.

At present, hundreds of pages of contractual rules tie up Disability Employment Service providers and participants in red tape, limiting flexibility and choice. A good start to reform would be to expand participant choice, person-centred planning, early intervention and capacity-building – all design principles central to the NDIS. Reform should not discard the current system, but rather build on its best features.

Australian Disability Enterprises (ADEs) are under financial pressure, which would be fatal for many if the push for a new wage assessment method imposed inflated wage costs on them. ADEs will evolve under the NDIS, but must remain a viable option for participants seeking employment.

Arguably the most ambitious of all the reforms is the National Disability Strategy. This ten-year strategy is endorsed by the heads of all governments – state, federal and local – and extends across all portfolios. So far, the Strategy's impact has not lived up to its ambition. The new 2015-18 action plan (under development) will need to have much more horsepower than the previous plan if it is to drive real change. The Strategy requires a stronger accountability and performance framework.

There are divisions in the disability community and robust arguments between the disability sector and

government. But on the big things there is broad consensus. We all want an NDIS that works well. We all want employment opportunities for people with disability to expand. We all want the rights and social inclusion of people with disability to be promoted across all domains of life. There is thus a strong basis to work together on overcoming the obstacles that impede progress. Negotiating agreement on contentious questions is not the easiest or the most direct route, but it is the surest way forward.



Ken Baker
Chief Executive
National Disability Services



NDS BUSINESS CONFIDENCE SURVEY

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Most disability service providers are cautiously optimistic and plan to grow in the next six months; but a high proportion think that **government agencies are not working closely enough with the sector to implement the NDIS successfully.**

– Ken Baker

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RISK

Without greater planning, investment and sector development from governments **the disability services sector could become less diverse** driving out organisations which innovate, are too small to compete or deliver specialised services.

OPPORTUNITY

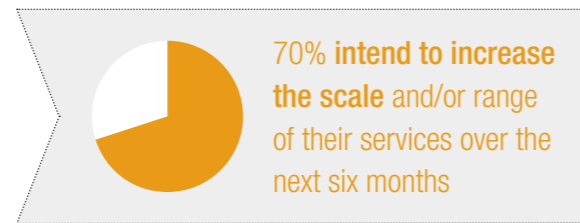
Not-for-profit disability service providers are contributing significant social capital in the roll out of the NDIS including community volunteers and charitable donations. **The NDIS has an opportunity to work with not-for-profit disability service providers to build upon this goodwill and social capital to deliver a more effective scheme.**

In conjunction with independent research consultant BMG Research, NDS carried out a Business Confidence Survey to examine the disability sector's ability to adjust to the changing environment. More than 424 of NDS's 1000 members participated in the survey. The results offer an insight into sector confidence as well as the factors that are helping or constraining organisations in adapting to disability reforms.

Key findings

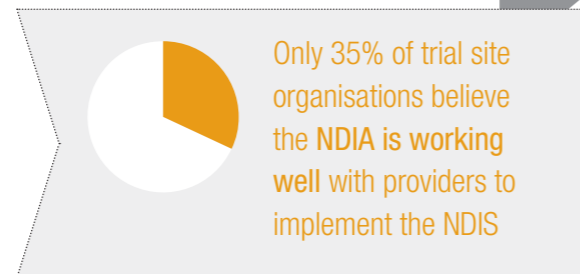
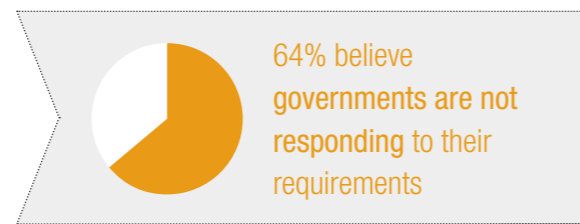
Business conditions are improving

Wave three 2015 results confirm that business confidence holds steady from 2014, with 64% of organisations expecting to meet their objectives in the next six months. Driven by improving business conditions, organisations are cautiously optimistic about the future:



Governments should be more responsive

While 66% of organisations agree that the policy reforms are heading in the right direction:



Given the mix of opportunities and risks that the NDIS presents, it's no surprise that service providers are divided on whether the NDIS roll out should be slowed down, with some very concerned about the way in which the scheme is being implemented.

"My organisation is a strong advocate for the NDIS, however the lack of consultation and disrespect of service providers and their experience of disability has astounded the sector."

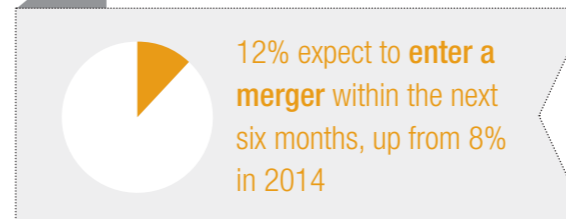
"I have found that the NDIA are unable to answer many questions posed by providers. It seems that decisions are being made on the run and the scheme is not well planned."

"Using debt to finance growth is a sound strategy under pre-NDIS conditions. However, the turmoil and uncertainty in our operating environment and the lack of information on the policy direction, or the nature of the market NDIA is trying to create, makes it almost impossible to make a sound business decision on using debt to finance growth."

"The NDIS is not about securing a future for organisations, but securing a future for people with a disability. If organisations are unable to manage this going forward, they need to either review their aims and objectives or merge with an organisation that is positive about the future and has the plans and strategies to match."

Organisations plan to invest in growth

A strong majority (75%) of organisations say they intend to invest in growth. Only 18% plan to use debt to finance growth.



Demand and competition are increasing in NDIS trial sites

A total of 73% of NDIS trial site organisations reported increased demand over the past six months. This is leading trial site organisations to grow in a number of ways:



80% now have plans to increase their scale and/or range of services compared with 63% for non-trial site organisations

many have increased their number of staff across all role types



Despite this, trial site organisations had lower business confidence in 2015 in their capacity to satisfy demand for their services.

Across all three waves of the Business Confidence Survey, trial site organisations observed increased competition from new entrants to the sector as well as from older not-for-profit organisations. Organisations are experiencing greater difficulty retaining staff, especially casual staff and, most recently, allied health staff.

Small organisations face larger risks

Small organisations (defined as less than \$1M turnover) constitute a quarter of NDS members. They are more likely than larger organisations to see risks ahead and to experience a decline in income:



42% feel that the risks the NDIS presents to their small organisation outweighs the opportunities, compared with 31% of all respondents



32% of small organisations reported a decline in income over the previous six months, compared with 6% of large providers

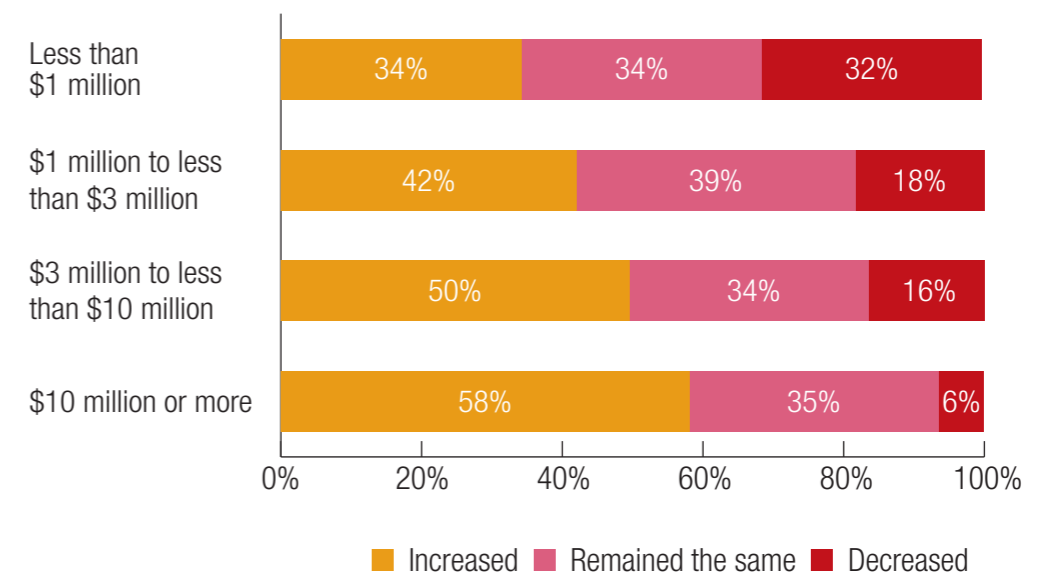


44% of all small organisations have insufficient financial resources, compared with 31% of all respondents



47% of small organisations experienced increased demand for their services compared with 66% of all respondents

Change in level of income over previous six months by annual financial turnover



“As a small regional organisation, we hold grave fears for our ability to sustain a high quality, individualised service under the NDIS. Unit pricing, funds for planning and transport are all too low. The NDIS efficient price target for administration and billable hours is unrealistic. There is no room for dealing with emergencies or crises.”

“The competitive nature of the NDIS ‘market’ seems to pose a threat to the sustainability of small service providers, but there does not appear to be any coordinated nor formal avenues to investigate alliances or partnerships.”



NATIONAL DISABILITY INSURANCE SCHEME (NDIS)

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Poor provider access to market information about patterns of supply and demand; cumbersome NDIS systems and processes; insufficient financial reserves within organisations; and low prices are **all barriers on the road to a sustainable and dynamic NDIS market.**

– Ken Baker

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OPPORTUNITY

NDS members in trial sites are responding to NDIS reform with greater flexibility and consumer-focused business models. As a result, participants are reporting positive experiences of the NDIS. **Appropriately managed, the NDIS has the capacity to significantly improve the lives of people with disability.**

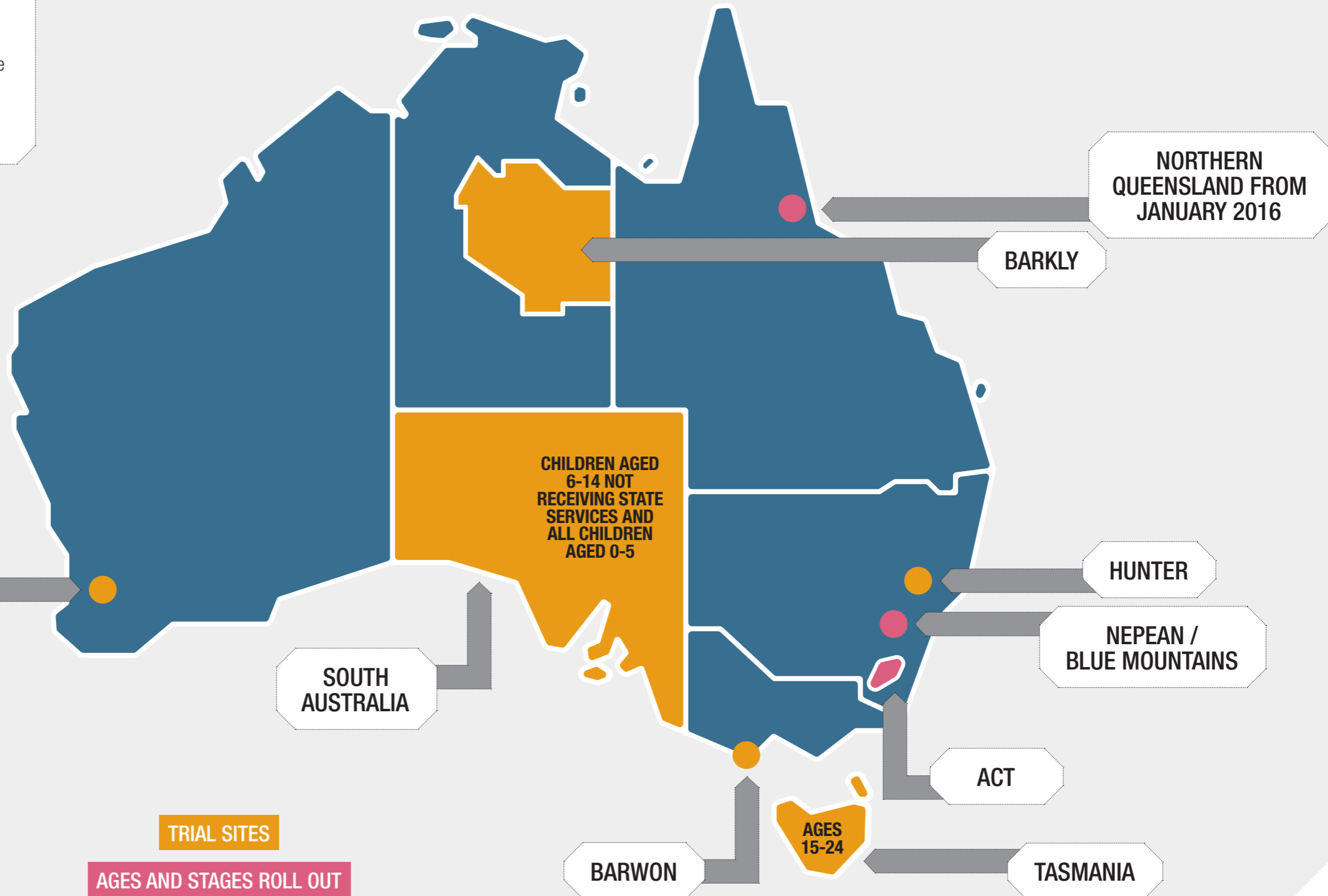
RISK

The majority of not-for-profit disability service providers report insufficient cash flow required to transition to the NDIS. Without government investment in the sector, we risk market failure at a time when the sector should be expanding.

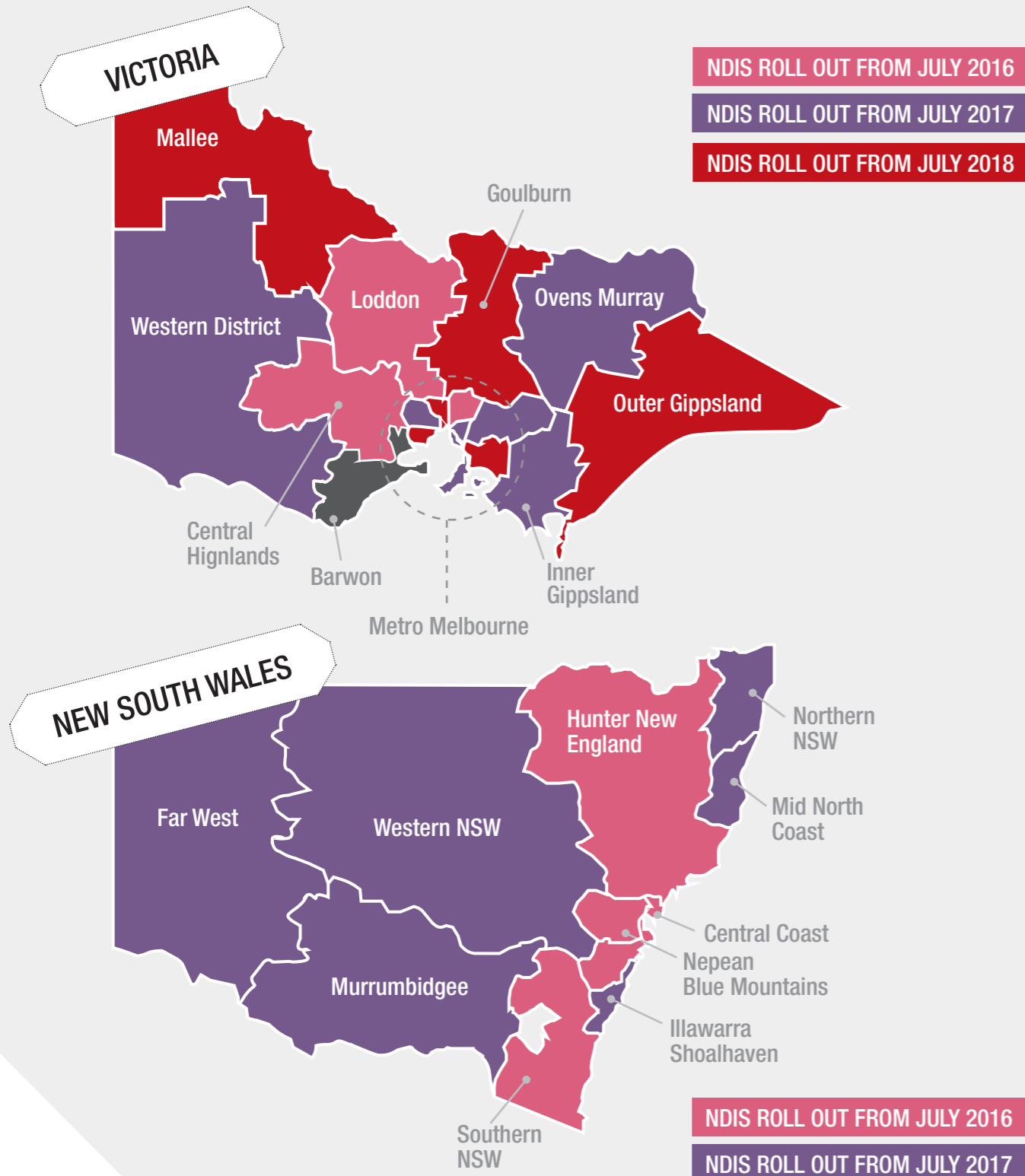
NDIS sites

The roll out picks up pace

The NDIS reaches a critical milestone next year. The three-year trial phase draws to a close and full implementation begins.



Full transition to the NDIS:



What can we expect in...

2016

RAPID EXPANSION

The NDIS will begin rapid expansion from 1 July 2016 when 93% of people eligible for individualised support packages will begin to enter the scheme.

QUALITY AND SAFEGUARDS

Governments will agree on a new national quality and safeguarding system in the first quarter of 2016. This will see a gradual transition from the existing state systems to a new national framework which may include state-based elements. NDS is hoping for a risk-based approach to organisational accreditation and employee regulation which balances the need for effective safeguarding and quality controls with consumer choice and reduced red tape.

A NEW MARKET

The NDIS will attract many new providers into the market, create a more competitive environment and stimulate demand for disability support. Retaining and strengthening an effective and diverse not-for-profit provider sector will be fundamental to a successful transition.

INFORMATION, LINKAGES AND CAPACITY BUILDING (ILC)

The NDIA is finalising plans for the provision of ILC supports to people with disability, families and carers. It is critical that the NDIA approach ILC commissioning in the NDIS transition phase with care, building on what exists. Otherwise, critical services, infrastructure, networks and social capital will inadvertently be lost.

PLANNING

The NDIA is outsourcing a significant amount of planning to Local Area Coordinators (LACs). The move to outsource LACs is welcome, but the initial signs prevent disability service providers from offering LAC services despite their understanding of the impact of disability, their local connections and their commitment to social inclusion.

E-MARKET

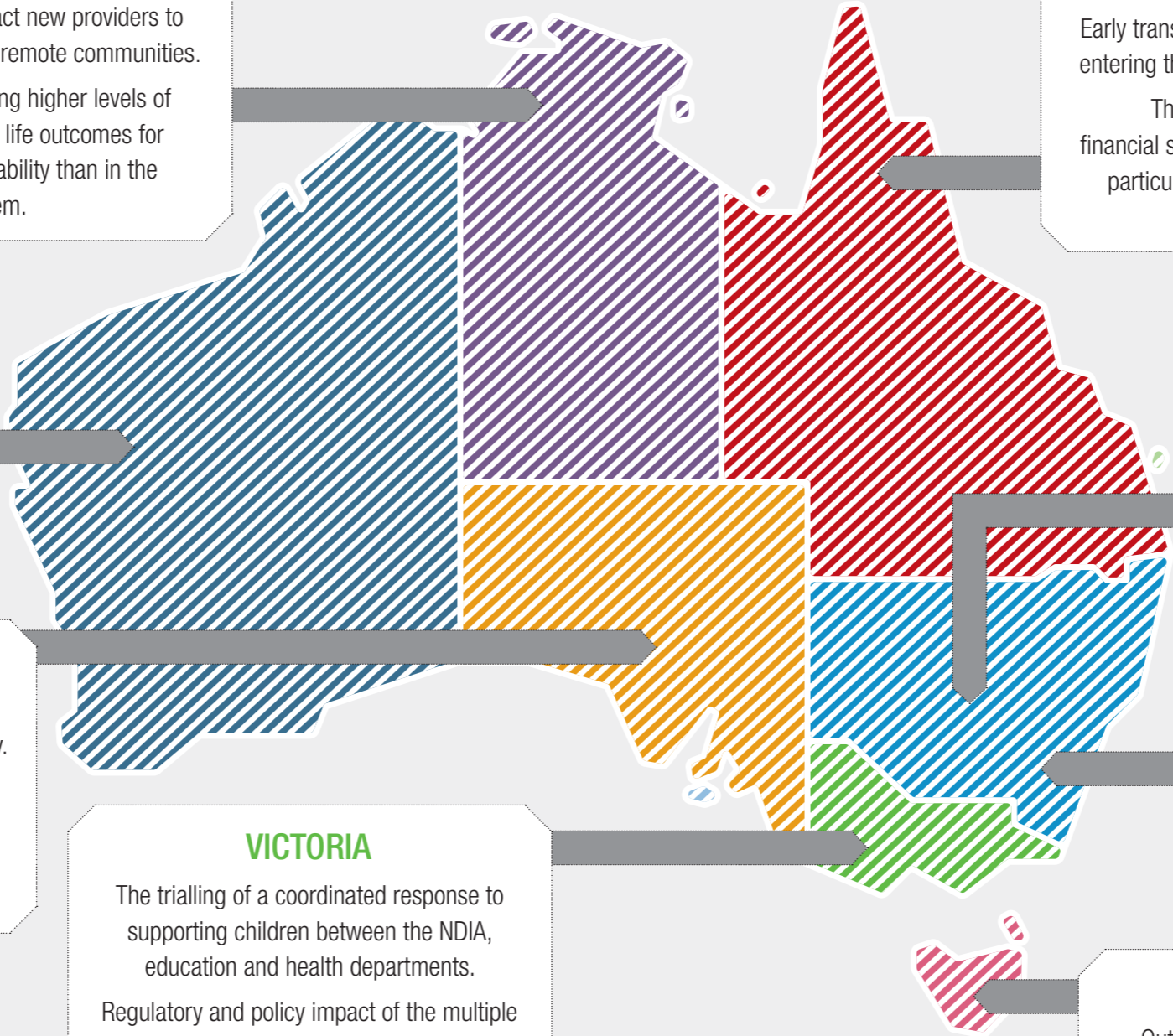
The NDIA ambitiously plans to launch an online marketplace for purchasing disability supports prior to commencing full roll out in July. This online marketplace will aim to increase choice and control for people with disability and reduce compliance costs for providers.

Unresolved NDIS issues

ISSUE	DETAILS	SOLUTION
Pricing	The NDIA wants the NDIS to operate within its funding envelope and deliver value for money. However, prices for some key NDIS supports are too low and the intention to set a 'national efficient price' overlooks the diverse circumstances in which support is provided. Several price reviews are planned for the year ahead.	Collect evidence to test and adjust assumptions in the Reasonable Cost Model. Provide information to the NDIA about the complexity and diversity of support. Introduce price deregulation that allows participants and providers to negotiate service fees.
Sector transition	Individualised payments in arrears will progressively replace block funding in advance. This will challenge not-for-profit support providers which have limited access to working capital and little capacity to invest in new business systems.	Significant investment in sector development and sustainability is needed to ensure the supply of services in the NDIS market meets participant expectations around choice and quality.
Workforce development	Rapid expansion of the NDIS will heighten pressure on the recruitment and development of a skilled workforce capable of responding to the aspirations of NDIS participants.	A national workforce strategy and recruitment campaign supported by the Fair Work Commission, unions and employers, to ensure secure, well-remunerated and flexible jobs with career opportunities in the disability sector.
Transport	Accessible, affordable transport options are crucial to supporting NDIS participants' engagement with mainstream services, supports and community based options.	Fund research and development that encourages new transport options, especially in rural areas where choice is scarce, and choice and control among NDIS participants may be limited.
Government services	While a welcome move, the complete or partial withdrawal of state and territory governments from providing disability services will put pressure on NGOs.	Governments need to provide clarity and funding support to enable providers to plan and take on services and staff.

ISSUE	DETAILS	SOLUTION
Employment	Although increased social and economic participation is a key objective of the NDIS, only 17.5% participants have economic participation as a goal in their NDIS plan.	The NDIA is testing a transition-to-work program in Tasmania and the ACT and NDS is implementing Ticket to Work for young people with disability in trial sites. Involving service providers more closely in planning would help raise expectations about the capacity of people with disability to work if they have access to the right supports.
Access to the NDIS for rural and remote communities	NDIS expansion into rural and remote locations will place pressure on the already limited choice available to participants.	Solutions will require discarding a template approach and heeding local experience. The NDIA has developed a Rural and Remote Strategy and is developing an Indigenous engagement plan. NDIS pricing must reflect the real additional costs of supporting choice and control by participants in rural, remote and very remote areas.
Government commitment	Governments have demonstrated strong support for the NDIS but the 2016 Federal Budget must find additional money in forward estimates (2019-20). Most states and territories have yet to sign bilateral agreements outlining how the NDIS will be fully implemented.	Governments need to complete the remaining bilateral agreements and ensure adequate funding allocations for the NDIS in Commonwealth and State budgets.
Housing	As many as 120,000 NDIS participants may encounter barriers that restrict their ability to secure accessible, affordable housing.	NDIS funding to stimulate housing production should be identified and used strategically. State government housing budgets should prioritise affordable and accessible housing options for people with disability.

What to look out for around Australia in 2016



NORTHERN TERRITORY

The ability of the NDIA to attract new providers to deliver services in regional and remote communities.
Evidence of the NDIS providing higher levels of support and enabling better life outcomes for Indigenous people with disability than in the existing system.

QUEENSLAND

Early transition to the NDIS with 1600 people entering the scheme in northern Queensland.
The impact of the NDIS on the financial sustainability of small organisations, particularly those operating in rural and remote areas.

WESTERN AUSTRALIA

Findings of the My Way and NDIS trial site evaluations and the impact these have on the state-wide roll out.
The model the Western Australian Government selects to move from fault-based to no-fault vehicle accident insurance.

NEW SOUTH WALES

NSW's transition to the NDIS will take just two years – will it meet the timeline?
Whether the framework for the transfer of supported accommodation is completed by early 2016.
The impact of the transfer of NSW Home Care.

SOUTH AUSTRALIA

Expansion of the NDIS from supporting children to providing supports for the wider disability community.
Resolution of the impasse between the Commonwealth and South Australian Government impeding young children with disability accessing support.

AUSTRALIAN CAPITAL TERRITORY

All current clients will have transitioned to the NDIS by July 2016.
How the disability sector responds to the transfer of Government-run accommodation services to the non-government sector.

VICTORIA

The trialling of a coordinated response to supporting children between the NDIA, education and health departments.
Regulatory and policy impact of the multiple inquiries into abuse and neglect.
The outcomes and impact from the LAC tendering process.

TASMANIA

Outcomes of employment trials intended to increase the employment of people with disability.
Expansion of the NDIS from supporting young adults to providing supports for the wider disability community.

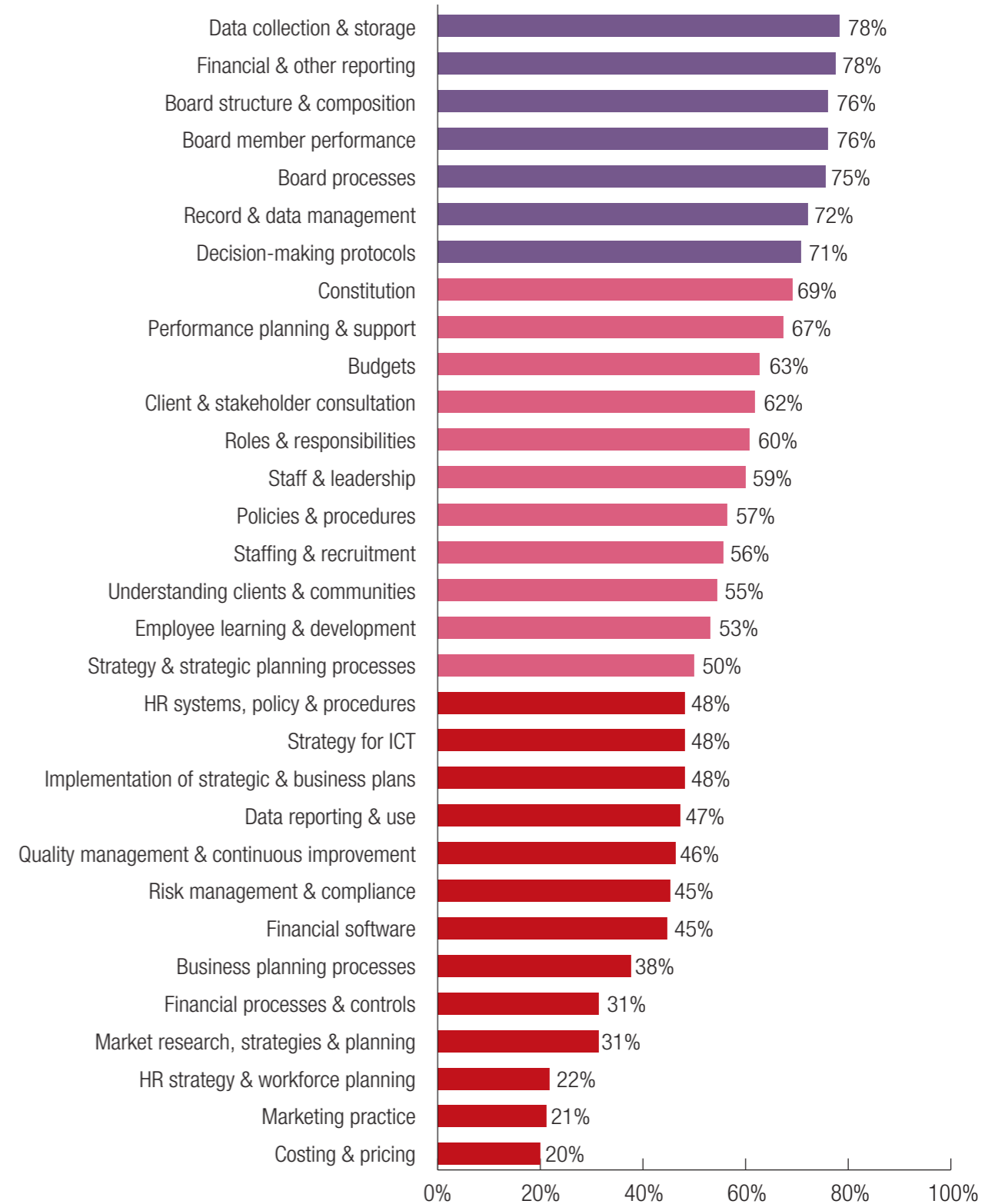
Provider readiness for the NDIS

The 2015 NDIS Provider Toolkit, a resource developed by NDS to help organisations understand the opportunities and risks involved with moving to the NDIS, shows that service providers continue to be challenged by this change.

Providers are least prepared on costing and pricing

Organisations proved to be most confident in data collection and storage practice, and financial reporting/monitoring (both 78%). As in 2014, few organisations reported they were NDIS-ready on costing and pricing (20%). Marketing practice (21%) and HR strategy and workforce planning practice (22%) were also in need of development.

Provider NDIS readiness



Trial site intelligence

NDS is closely monitoring the implementation of the NDIS in trial sites, disseminating information to assist service providers to make decisions about their operations.

Key findings

1. The **best outcomes** occur when participants and families are informed.
2. Business planning is **impeded by the lack of market information** about supply and demand from the NDIA.
3. Organisations have found it is necessary to **carry out risk analyses** of participants' plans.
4. Organisations find the **NDIA systems and processes time-consuming**; these need to be streamlined before full implementation begins.
5. Building **strong relationships** between the NDIA, disability support workers, participants, and their families and carers is **critical to the success** of the NDIS.

Interviews with service providers in NDIS trial sites found:



Providers are now **operating for longer hours** (and at different times) in response to participant demand



Participants are exercising **more choice**, especially over which staff member they want to provide them with support

Good record keeping is essential for NDIA audits

Participants have **better access to assistive technology and therapies** than in previous years



Both anecdotal and evidence-based research finds that participants in the NDIS are having a **positive experience of the scheme**



The amount of **funding** a participant receives in their plan is **generally greater** than previously received

Providers have become noticeably more **customer-focused**

Low prices threaten to **undermine the quality and diversity** of supports

The impact of financial performance

An analysis of the financial performance of organisations across Australia for the 2013-14 financial year highlighted that some organisations have insufficient liquidity to transition to the NDIS.



Two-thirds (67%) **did not have** the minimum recommended three months or more **cash flow in reserve**.



Around one-fifth (17%) had a current debt-to-assets **ratio of less than one** which indicates the provider will not be in a position to pay its debts over the next 12 months.



Just over one-quarter (27%) had a relatively **high debt-to-assets ratio** of more than 0.5 suggesting provider assets are significantly funded by debt.



42% **operated at a loss** and one-fifth had a deficit for two consecutive years.

The risk of market failure

If the risk of provider or market failure in key segments is not monitored or well managed by Australian governments, there will be major consequences for service users and their families.

Strategies to address this risk include:

Allowing organisations to retain surpluses where contract outcomes have been delivered

Access to **capital grants, time-limited transition payments** and **government guaranteed loans**

Adequate pricing for NDIS supports

Block funding for social capital functions (fast track work on ILC implementation)

Creating a **staged approach to price deregulation** to enable greater flexibility for participants and providers to negotiate on price

Pricing and costing

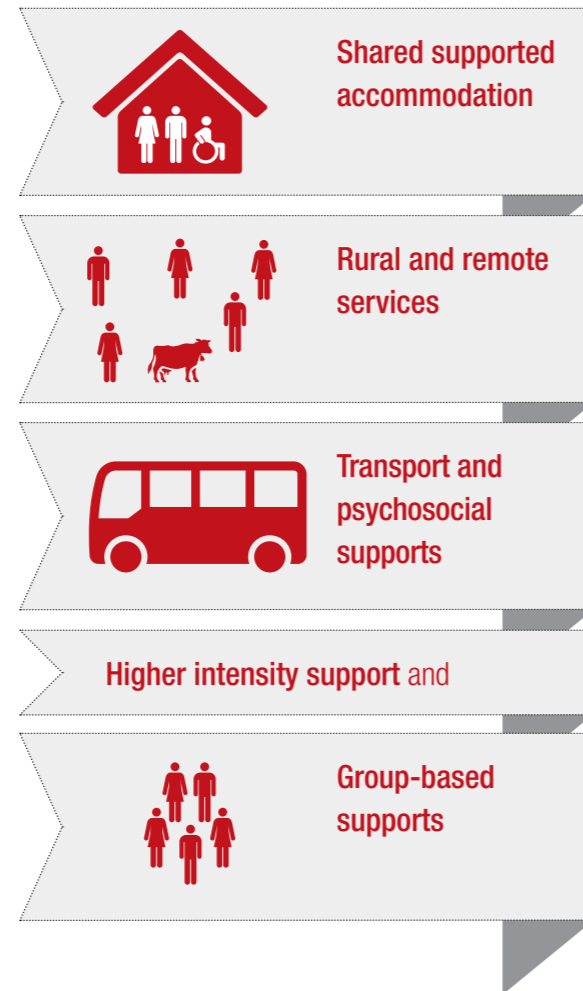
As a direct result of 2015 pricing negotiations between NDS and the NDIA, the following outcomes were achieved:

The **NDIA approved an indexation and Equal Remuneration Order (ERO) increase** on 1 August which, for Victorian, NSW and Tasmanian trial sites, increased one-to-one hourly prices by \$1.66 cents rather than \$0.13 cents as originally announced. Other states received these increases for many prices, but in-home personal care and community participation were exempt

The **creation of an establishment fee for providers** when they initiate services for new participants receiving more than 20 hours per month of one-to-one supports

The **reversal of an NDIA decision to cut prices** for group-based support in centres and in the community

Despite this, many service prices remain inadequate and there is still some way to go before this is resolved. To tackle the issue, the NDIA has flagged a heavy schedule of price reviews for this financial year. This includes reviewing prices for:



Funding the NDIS

The arrangements for financing the NDIS are complex, with the full roll out expected to cost \$22B. As a shared Commonwealth/state initiative, it will require an estimated Commonwealth contribution of around \$11B each year.

The Commonwealth introduced the DisabilityCare Australia (DCA) levy from 1 July 2014. So far, the levy has raised more revenue than has been spent during the trial and transition phase of the scheme. The 2016 Federal Budget will be the first time the NDIS impacts the Commonwealth finances in forward estimates.

Commonwealth share of NDIS costs

	2019-20 \$M
DCA Levy Commonwealth share	3,508
Reduction in other appropriations	3,419
New Commonwealth funding	4,073
Total	11,000

Source: NDIS: Financial Arrangements up to 2019-20, Professor Richard Madden, Centre for Disability Research and Policy, The University of Sydney, 2015.

WORKFORCE SUSTAINABILITY



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In the disability sector, almost **4 in 10 workers are employed on a casual basis**. Workforce casualisation can result in inconsistency of support for participants, low investment in training and qualifications, and weak career pathways.

– Ken Baker

”

RISK

The pressure from participants for greater flexibility combined with the already high percentage of casual staff in the sector may make the **recruitment, retention and engagement of skilled staff a challenge for providers.**

OPPORTUNITY

Evidence from the NDIS trial sites suggests providers are adapting recruitment practices and using new recruitment technology directly linking participants with workers. Values based recruitment has the potential to **attract new workers whose interests, language, cultural background and age correlate with the people they support.**

Workforce recruitment, retention and engagement are critical to the success of the NDIS. With appropriate support, the disability workforce can be the sector's greatest asset.

Building an NDIS workforce is challenging

The disability and aged care workforce has grown by 15% over the past two years. NDS Business Confidence survey shows that disability services anticipate difficulties in attracting and retaining a workforce in the months ahead, although they feel more able to meet this challenge than they did last year.



46% of respondents expect **difficulties in recruiting direct support staff** (53% in 2014).



51% of respondents expect **difficulties in recruiting leaders and managers** (60% in 2014).



69% of respondents expect **problems in recruiting allied health staff**.

The challenge of recruiting and retaining allied health professionals is greatest in regional Australia, for example in northern Tasmania:

Occupational and Speech Therapists can have wait lists of up to 12 months

The relatively weak labour market – with unemployment at around 6% – assists recruitment of disability support workers. In August 2015, 18% of community service workers said they were underemployed, double the figure in other industries.



1300 Certificate III, Certificate IV or Diploma courses in disability were completed in the first quarter of 2015.

There is a high use of casual staff

The ABS does not collect specific disability workforce data, so in early 2015 NDS launched a data benchmarking service for the sector called Workforce Wizard.

Profile of direct support workforce

Type of work (as a percentage of all workers)	Average
Full-time permanent	23%
Part-time permanent	35%
Fixed-term	4%
Casual	38%

The relatively high percentage of casual staff could affect the continuity of supports for NDIS participants. It also adds to costs of recruitment and training. The data indicated a higher turnover rate for casual workers, consistent with the pattern in other sectors.

Recruitment methods are changing

Tailoring workforce profile to meet participant demand is a critical part of the workforce challenge. Providers report pressure to match the interests of participants with those of support workers.

This challenge is being met through:

Changed recruitment practices: participant involvement in selecting staff, values-based recruitment, revised selection criteria

Changed recruitment platforms: Websites are emerging, sometimes known as 'digital talent platforms', that directly link participants with workers. Attributes such as language, cultural background and age receive prominence

New ways of working are emerging

There has been too little investment by governments to strengthen the leadership, management and culture within disability organisations.

At recent innovation workshops run by NDS, service providers shared models for:

Outsourcing and insourcing functions as a way of reducing cost

Creating teams that **self-manage in a high-trust** environment to reduce overheads

Forming **alliances with other organisations** to offer services at a greater range of times and locations

Better utilising assistant roles, especially in the therapy field

Looking ahead

NDS has sought opportunities to influence the regulation of workplace relations in a way that would enable providers to respond flexibly to consumer demand while offering working conditions that attract and retain staff.

The final report from the Productivity Commission on the Workplace Relations Framework, due by the end of 2015, will recommend changes that may positively affect disability services, including:

Less restrictive transmission-of-business provisions when employees are transferred from the government sector to the non-government sector

More responsibility for employers to recognise and **avoid 'sham contracting'**

In early 2016, the Fair Work Commission will commence hearings on the 2010 Social, Community, Home Care and Disability Services (SCHADS) Award.

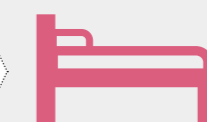
The Modern Award review has conducted hearings on matters of relevance to the sector, such as part-time work and annual leave. Key issues for the SCHADS Award review include:

Minimum engagement periods for casual and part time workers



Flexibility of employment for part-time workers

Shift cancellations



Sleepover shifts



24 hour care

EMPLOYMENT SERVICES



“

Increasing the employment of Australians with disability **will require reform and investment.** We need a disability employment system that supports a spectrum of job options and career pathways for people with disability of all ages.

– Ken Baker

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RISK

Not enough Australians with disability have the support and opportunity to access employment. The current challenges to the supported employment system along with reforms to open employment must result in more people participating in our economy. **With the policy focus on the NDIS roll out, there is a clear risk that disability employment may not receive the attention from policy makers and the community it deserves.**

OPPORTUNITY

The NDIS has the potential to deliver people with disability the supports and training required to participate in our economy. If the private and public sectors can respond with a willingness to employ more people with disability and purchase more from organisations that employ people with disability, **Australia could become a world leader in the practice of employing people with disability.**

Supported employment

The supported employment sector is going through a challenging time. Prolonged uncertainty is affecting confidence in ADEs and generating anxiety among supported employees and their families. The consequences of the 2012 Federal Court Business Services Wage Assessment Tool (BSWAT) decision continue to work through the Fair Work Commission, the Australian Human Rights Commission and other arenas, but the matter remains unresolved.

Despite this uncertainty, ADEs continue to deliver significant benefits to supported employees, their families and the broader community.

ADEs employ **20,912** people with severe disability.

5,000 support staff and managers work in ADEs.

The most common primary disability of supported employees is **intellectual or learning disability (70%)**, followed by psycho-social (12%) and physical disability (7%).

Snapshot of supported employment

	2009-2010 financial year	2014-2015 financial year
Total employees assisted	22,020	20,912
Average age	39	40.3
65+	380	571
50+	5370	5,907
Average weekly wage	\$85.65	\$104.90
Average hourly rate	\$3.65/hr	\$4.68/hr
Average weekly hours worked	24.22/hrs	23.0/hrs

The future of ADEs is at risk

In 2015, NDS commissioned two reports examining wage setting and productivity in ADEs. Key findings include:

56% of ADEs made a loss

4.7% of ADEs made a surplus above \$500,000

85% IN DEFICIT

Increasing supported employees' wages by 40% – as unions and advocates are demanding – would place 85% of ADEs in deficit, threatening thousands of supported employee jobs

The Supported Wage System (used to determine productivity-based wages in open employment) defines 'productivity' in way that would be inappropriate for most ADEs

Negotiations are underway in the Fair Work Commission about developing a new wage assessment tool. Debate centres on the features of the new tool, its impact on wage costs, the implications for other wage assessment tools and the capacity of ADEs to pay wages after the Government's wage subsidy expires.

NDS continues to work with the Department of Social Services on an industry development plan, including assisting organisations to prepare for the NDIS and develop viable businesses, as well as boosting government procurement from ADEs.

The closure of ADEs would deny thousands of supported employees the opportunity to work. NDS is engaged in the various arenas in which ADEs are under challenge, resisting any 'resolution' that would jeopardise jobs.

Average annual government funding per supported employee is **\$11,500**, significantly less than the cost of alternative non-vocational services.

Open employment

The Disability Employment Services (DES) program is bound by almost 900 pages of rules and guidelines. Despite some relief from red tape in the past year, providers report that compliance is diverting resources away from direct service work.

In addition, DES providers have received no funding indexation since 2010, further reducing their ability to maintain the service levels required to meet demand from job seekers. Demand has increased significantly since the program was uncapped in 2010.

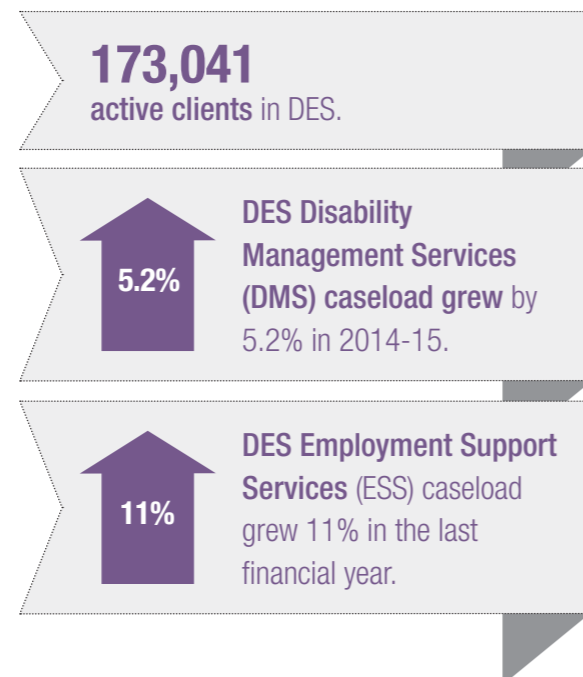
The system gives choice to government, not consumers

In 2014, the Commonwealth government planned to reallocate business from 24% of DES-ESS (Employment Support Services) contracts with lower Star Ratings. However, after pressure from NDS and the disability sector, only 11% of DES-ESS contracts were relocated. During this process, 7,200 participants (8%) transitioned to a higher performing provider.

With the impending roll out of the NDIS and a new Disability Employment Framework, it is critical that investment

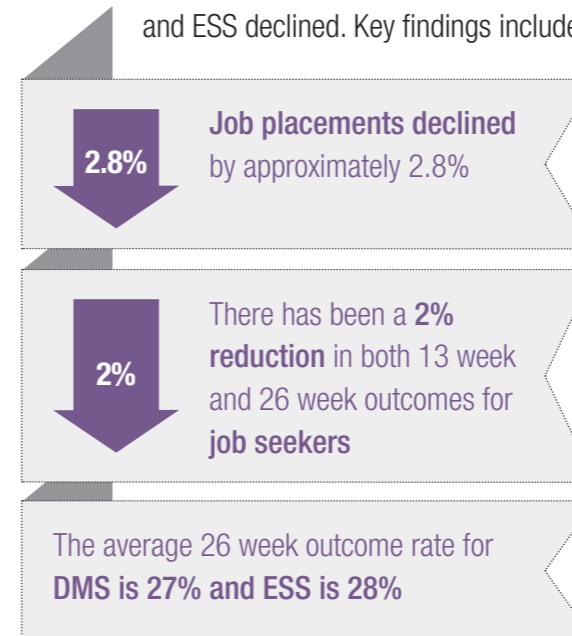
and effort focus on building the capacity of the sector rather than weakening it through further contract reallocation. Business reallocation empowers the Government to choose among providers, whereas the NDIS and the anticipated reform of disability employment support will give that choice to consumers.

Most DES job seekers have physical or psychosocial disability

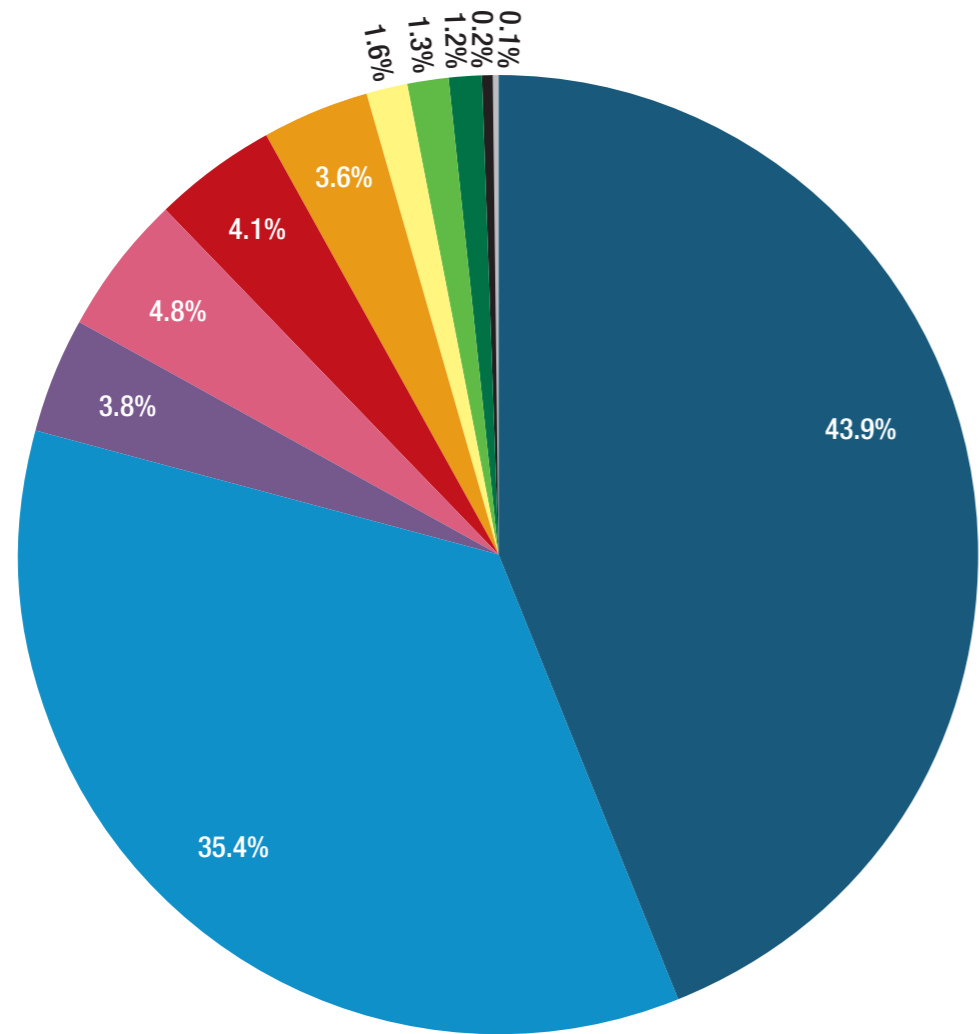


DES outcome rates have declined

Over the previous 12 months, the national outcome rates for both DMS and ESS declined. Key findings include:



Job seeker characteristics (both DMS and ESS)



- Physical disability
- Psychiatric disability
- Specific learning disability (other intellectual disability)
- Intellectual disability
- Neurological disorder (including Epilepsy & Alzheimer's Disease)
- Autism (including Asperger's Syndrome)
- Hearing impairment
- Acquired Brain Injury
- Vision impairment
- Speech impediment
- Deaf/blindness (dual sensory)

Government plans to reform employment support

The Commonwealth Government's new National Disability Employment Framework is under development. The framework aims to boost the low level of employment participation by people with disability in Australia.

As part of this process, the Government released a discussion paper in November 2015 proposing that the framework will:

It is essential that the design of the new employment framework works well with the design of the NDIS and that it gives disability employment providers the flexibility and capacity to respond to the preferences and needs of job seekers. Jointly, the NDIS and the new employment framework should provide a strong foundation for improving employment opportunities for people with disability in open and supported employment.

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Allocate resources according to need and specific outcomes
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Encourage **greater competition** between providers
- 

Support employers to create more jobs for people with disability
- 

Introduce portability of funding for ongoing support to enhance career development
- 

Allow people with disability to **choose the provider** they want to support them while working or looking for work

POLICY AND RESEARCH



“

The NDIS will not be true to its insurance principles if it fails to invest in research that tests the efficacy of various support interventions and service practices and **stimulates innovation and the dissemination of knowledge** across the service sector.

– Ken Baker

”

RISK

Better outcomes for people with disability will be compromised unless we build a base of evidence about what works. **The NDIA needs to share data, fund research and support innovation** or it risks embedding outdated practices across the disability sector.

OPPORTUNITY

A new approach to disability research focused on pressing policy questions could lead to the **discovery of new ideas and the advancement of knowledge for people with disability**, their families and carers.

The National Disability Strategy needs energising

The National Disability Strategy is a ten-year plan agreed by COAG to promote the rights and inclusion of people with disability across all domains: health, economic security, learning and skills development, rights and justice, and accessible communities. But its effectiveness at driving change is weak. It needs a stronger performance and accountability framework including annual reporting to parliaments – state and federal. An action plan for 2015-18 is in development with a focus on the employment of people with disability, improved outcomes for indigenous Australians and increasing the awareness of the strategy.

Work that has occurred over the past year:

Aged care reforms: By February 2017, home care packages will be allocated on an individual basis rather than to organisations, giving package recipients choice and control over their services

Education reviews: A review of the Disability Standards for Education and a Senate Inquiry into educational access and outcomes for students with disability



Welfare reform should focus on jobs

The final report from the Welfare Reform Reference Group, chaired by Patrick McClure, recommended a suite of measures. This includes a restructure of the Disability Support Pension (DSP) – including a Jobs Plan – to increase employment for people with disability and mental illness.

Without recommending payment levels, the report suggests replacing the DSP with a Supported Living Pension and a tiered working age payment. A means-tested Supported Living Pension would be restricted to people with a work capacity of less than eight hours a week.

The report's strength is its focus on employment. Pressuring people with disability to find work would be both unfair and futile unless accompanied by effective measures to increase the supply of jobs and the support available to people with disability. To date, most of the recommendations have not been implemented.

Not-for-profit reform must involve less red tape

In September 2014, the government introduced a Bill to repeal the Australian Charities and Not-for-profits Commission (ACNC). The Bill has not been passed making the long-term future of the ACNC look more secure.

There is now a centralised Australian Charities Register searchable by the public. For inclusion on this register, charities must submit an Annual Information Statement including financial statements.

An object of the ACNC is to reduce red tape for charities. Work on this continues as the ACNC negotiates with state and territory not-for-profit regulators on streamlining reporting requirements.

Competition policy requires careful application

In March, the government released the final report of the Competition Policy Review conducted by an expert panel led by Professor Ian Harper. The Review envisages community services as the next frontier of reform. NDS's advice influenced the human services chapter and overall recommendations:

The report accepts that **governments should to take a stewardship role** rather than rely solely on market forces and it recognises the potential impact on vulnerable people

It notes the importance of **preserving and enhancing contributions** from the not-for-profit sector and recognises that 'information asymmetry' can distort human services markets

Contrary to competition principles, the NDIA's request for tender for Victorian Local Area Coordination (LAC) services effectively excluded disability service providers. LAC services require an understanding of the impact of disability, strong local connections and a commitment to social inclusion, all attributes found among not-for-profit disability service providers. The NDIA was concerned about providers' conflict of interest. The tender should have required providers to demonstrate how they would manage potential conflict of interest, rather than exclude them.

Preventing abuse and neglect is a critical issue

In response to continued concerns about safeguarding people with disability against abuse and neglect, a Senate Inquiry into violence, abuse and neglect in institutional and residential settings was established.

In November the Senate Inquiry released its report. The report includes 30 recommendations including calling for a Royal Commission, proposing a national disability complaints mechanism, increased national workforce and workplace regulation and improved access to justice for victims of abuse. NDS expects the government to respond to the report in 2016.

Similar Victorian investigations are underway with two early reports released. A report from the Victorian Ombudsman concluded that despite areas of good practice, oversight arrangements in Victoria are 'fragmented, complicated and confusing', arising in part from the 'mishmash of legislative, financial and service delivery arrangements'.

Recommended as part of the Victorian Parliamentary Committee's report is the establishment of a national independent body as part of the NDIS. This body would oversee responses to complaints, manage and investigate reportable serious incidents, oversee restrictive practices and administer a community visitors program.

Findings from these inquiries are expected to influence the design of the national quality and safeguarding framework for the NDIS.

NDS has developed practical resources through its **Zero Tolerance Project** to assist service providers to **prevent and respond to abuse and neglect**.

Research and innovation

Evidence-informed policy and regulatory settings are essential for a strong disability sector. Building evidence requires research.

The 2014 Audit of Disability Research found that the current disability research agenda is fragmented and lacks a sustainable funding base. A mature research base with focus, depth, quality and coherence is needed.

Through the Centre for Applied Disability Research (CADR), NDS is helping to build research relationships with its members, academics, government and others with an interest in evidence-based policy and programs.

Research snapshot 1: financial sustainability

For the NDIS to realise its goal of improving choice for people with disability, a dynamic, diverse and sufficient supply of services is needed. The disability services sector has entered a period of profound change. Curtin University and NDS have commenced a national two-year study to monitor the financial health of the sector and identify potential responses over this critical period.

Research snapshot 2: community participation

Social isolation is common among people with disability. Access to community participation is the second most frequently funded form of support under the NDIS. However, relatively little evidence has been produced specifying the practices and strategies that are most effective at facilitating community participation for people with disability.

NDS is working with the La Trobe Centre for Living with Disability to achieve a greater understanding about what leads to successful community participation. This project will advise disability service providers about staff practices and organisational strategies to support community participation. It will also inform local governments and community organisations about the factors that contribute to successful community participation for people with disability.



2016 TO-DO LIST

2016 to -do list

20 things NDS would like to see accomplished in 2016

1. Bilateral agreements with all states and territories for the full implementation of the NDIS
2. Funding in Budget forward estimates sufficient to implement a well-designed NDIS
3. A risk-based approach to quality and safeguarding that includes industry co-regulation and equips providers with the practical resources to help prevent and respond to abuse and neglect
4. Funding certainty for Information, Linkages and Capacity-Building services
5. Providers with expertise, local connections and commitment to social inclusion invited to tender for Local Area Coordination services
6. User cost of capital funds available to stimulate investment in specialist disability housing and regulation to increase the supply of accessible housing
7. NDIS prices that reflect the real costs of delivering high-quality supports in the lead-up to price deregulation
8. Financial benchmarking for the sector that helps drive efficiencies, monitors financial health and identifies risks
9. Practical advice and support (including supply and demand data from trial sites) to assist in transition to the NDIS (especially for providers outside trial sites)
10. Support for the important role of not-for-profit organisations in generating social capital
11. A revised SCHADS Modern Award aligned with contemporary disability work requirements
12. A national recruitment campaign that responds to workforce shortages, for example, in allied health staff
13. An increased proportion of NDIS participant plans with employment goals
14. Expanded employment opportunities in Australian Disability Enterprises through the implementation of an industry development plan that includes government and private sector procurement
15. A National Disability Employment Framework that increases participant choice, invests in career development, provides adequate funding and preserves the best features of the current system
16. Research that improves life opportunities and services for people with disability and fills critical gaps identified in the 2014 Audit of Disability research
17. A National Disability Strategy action plan that requires all areas of government to promote the rights of people with disability and is backed by a strong reporting and accountability framework
18. Schools with adequate resources targeted to the educational, social and access needs of children with disability
19. Improved access to specialist disability services and assistive technology through the aged care reforms, for older Australians who need support
20. The Charity Passport operating across state and federal government agencies to reduce red tape

Notes pages

