



Centre for  
Applied Disability  
Research  
An Initiative of National Disability Services

# NDS

National Disability Services

## STATE OF THE DISABILITY SECTOR REPORT 2014

The uncertain policy environment makes planning difficult for service providers – but a road under construction is better than a sealed highway that heads in the wrong direction.



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**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 and advance services for people with disability. Its Australia-wide membership includes nearly 1000 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.



**National Disability Services**

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# DISABILITY SECTOR IN PROFILE

Disability support organisations assist people with disability to realise their goals of accessing employment and accommodation, living independently, gaining an education and participating in community life.

## The sector by the numbers

**312,539**

Total number of people supported by funded services in 2012-13

**\$21,329**

National annual expenditure per service user

**145**

Average number of service users per organisation

**2,151**

Number of disability support organisations

**\$3.3 million**

Average expenditure on disability support services per organisation

**27**

Average number of paid full-time equivalent staff per organisation

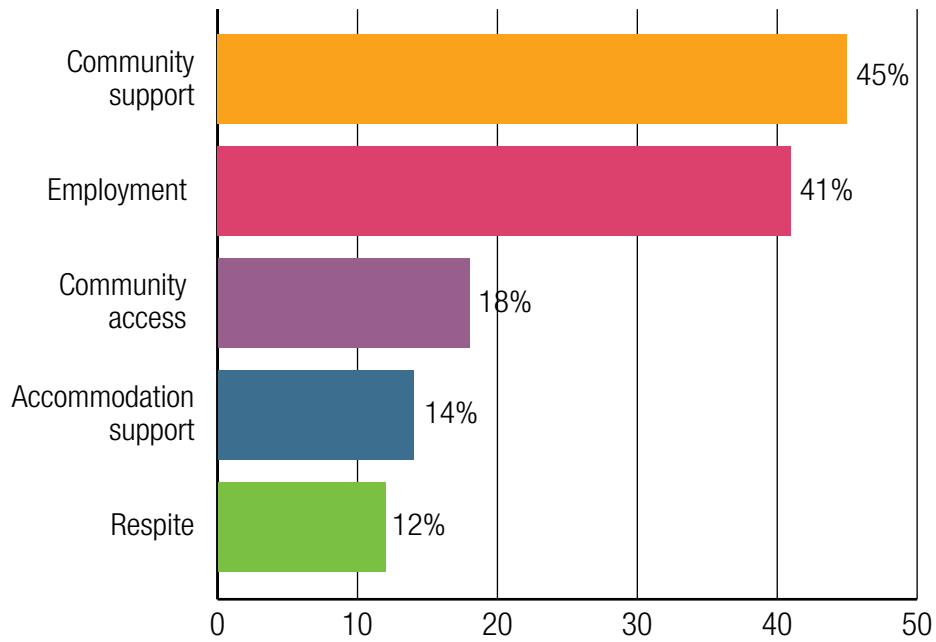
**47%**

Proportion of the disability service budget spent on accommodation support in 2012-13

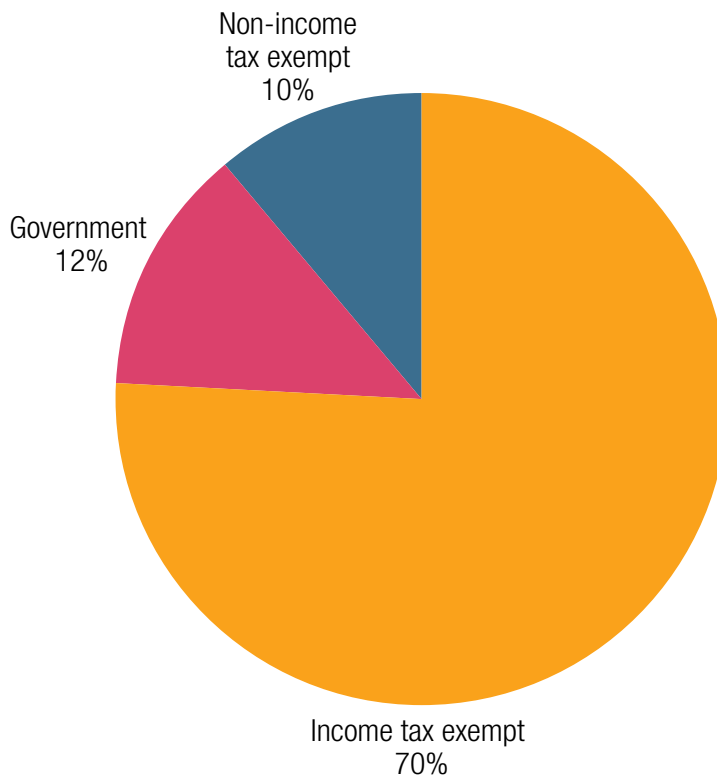
**55,160,090**

Estimated total hours of service provided across Australia

**Figure 1: service users by service type**



**Figure 2: disability support organisations by legal status**



# INTRODUCTION

NDS is pleased to present the first State of the Disability Sector report. The report is timely. Far-reaching reforms are under way – or on the horizon – in the disability sector. Organisations face large planning and investment decisions. This report is designed to assist CEOs and directors of NDS member organisations to further their mission in this changing environment.

The National Disability Insurance Scheme (NDIS) is the largest of these reforms. Like an extensive renovation of a cramped, dilapidated home, we know it's justified; and we're excited when we see the architect's plans and the bank is persuaded to finance the renovation.

But a few weeks after the builders arrive, the excitement has evaporated: the garden is a construction site, the bathroom is a mess of exposed pipe ends and we're worried that the bank loan won't stretch far enough. Our nerves are raw. This is the stage we've reached with the NDIS.

No one doubts that the disability system needs extensive renovation. It can't respond to the growing demand for services; crises distort spending priorities; prescriptive government programs impede services from responding directly to the needs and goals of people with disability. But transforming this dysfunctional system is complicated, arduous and stressful.

Almost 18 months into the launch of the NDIS, the National Disability Insurance Agency (NDIA) is immersed in problem-solving. The NDIS trial sites are testing the design across diverse functions, from assessment and planning to payment systems and transport.

Significant pieces of the NDIS design are still being developed. They include a national quality and safeguards framework, services for people who just miss out on an individual support package and the design of the future disability support market.

There are key questions that need answers before the NDIS escalates from trial sites (with around 30,000 people eligible for support) to national coverage (with up to 460,000 participants). How will housing supply be increased to meet the high demand for accommodation support? How will an enlarged, appropriately skilled disability services workforce be built?

Prices are a key source of tension. While the NDIA is under pressure to contain costs, service providers know that unless prices for one-to-one supports increase, the choice and quality of services available to people with disability will diminish.



The NDIS is not the only source of uncertainty for service providers. Australian Disability Enterprises (ADEs) are dealing with unresolved issues regarding wage assessment methods and future funding arrangements. Disability Employment Services (DES) are concerned about their financial viability in the face of rising compliance costs and a freeze on the indexation of fees. The prospect of applying competition policy to the community services sector raises many questions.

Of course, not all is upheaval and uncertainty. Great stories are emerging from the NDIS trial sites as services expand. In the Victorian Barwon region, a long-standing waiting list for services is now redundant. The 'ADEs Work for Me' campaign is collecting compelling stories about the benefits of supported employment; and there are remarkable examples of people – supported by DES providers – who are defying predictions that they are unemployable.

The good stories will grow and the frustrations will diminish – as long as governments and the NDIA listen carefully and respond to the experience of service providers, people with disability and their families and carers. Applying this principle of co-design across all forms of disability support will ensure that we build a system that works for all stakeholders.

In this spirit of co-design, I invite comment about this report, so that each year's edition improves and remains closely attuned to the needs and interests of NDS members.



Ken Baker  
Chief Executive  
National Disability Services

# THE NDS BUSINESS CONFIDENCE SURVEY

The first wave of the NDS Business Confidence Survey in May 2014 gave CEOs an opportunity to identify factors that help and constrain them in adapting to the new environment. The results create a baseline for measuring the confidence of disability service providers over time.

## Key findings

Not-for-profit disability organisations told the NDS Business Confidence Survey that:

**competition** between providers is increasing

**organisations are joining forces** in mergers, consortia and other partnerships



only 33% of organisations **meet the recommended cashflow standard** of three months or more of spending reserves

relationships with **commercial businesses** are expected to strengthen

high numbers find that the policy environment is **uncertain and confusing**, and that government is not anticipating or responding to their needs

most agree that the policy reforms are **heading in the right direction**

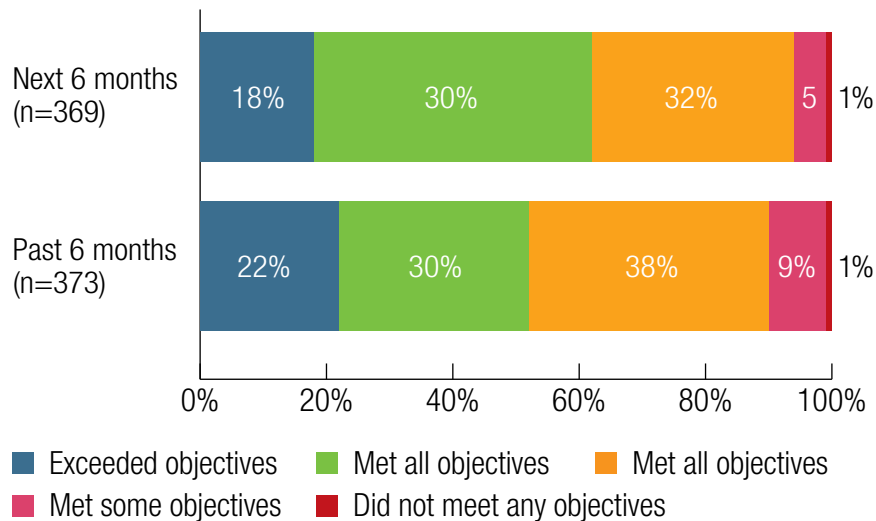
 **half lack the internal capacity** or Information and Communications Technology to **improve** services

most have difficulty **recruiting leaders and managers**, but not in retaining them.

## What have we learned from the first wave of the NDS Business Confidence Survey?

## Performance and confidence overall

Figure 3: levels of performance and confidence



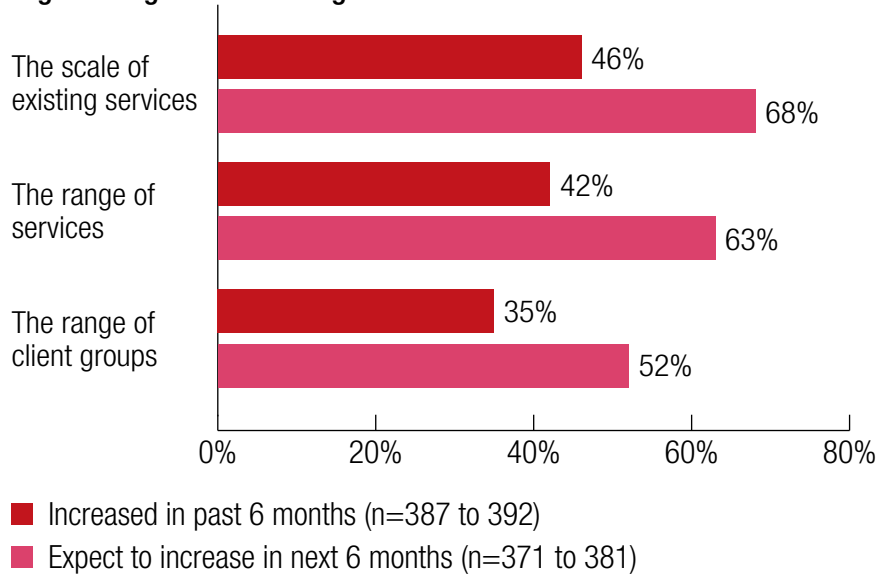
Despite high levels of confidence in meeting objectives (Figure 3), 40% of responding organisations report insufficient financial resources over the past six months, and a larger proportion (45%) expect to have insufficient financial resources over the next six months.

### Increasing demand

Two thirds of respondents report an increase in demand over the past six months, with more than three quarters (78%) expecting demand to increase over the next six months.

“We have experienced an increase in client numbers beyond expectation, due to new diagnoses and people living longer and so requiring longer-term support.”  
– **Provider in Tasmania**

**Figure 4: growth strategies**



Seven in 10 (71%) respondents say they are looking to increase the level of investment to achieve growth. However, this investment will mostly be through the use of existing resources, with two thirds (65%) stating that they will not be looking to use debt/loan to finance growth and/or change strategy.

Twelve per cent of organisations are not focused on growth.

“We have already invested in capital works to prepare our organisation for the next stage of our growth, and see the future growth as something we need to plan carefully for in order to take advantage of the possibilities presented by the changing sector.” – **Provider in NSW**

“There remains a significant unmet need in the community; and that is in a context of very little new funding actually rolling out to meet those needs (other than the NDIS experiment).” – **Provider in Queensland**

Figure 4 shows survey respondents' growth strategies.

## Increasing competition and collaboration

The reported increases in demand and adoption of growth strategies are matched by respondents expecting growing competition from new for-profit organisations (84%), existing for-profit organisations (79%) and new not-for-profits (77%).

“There is a distinct impression that we need to get larger to remain competitive in the new ‘deregulated’ market – NDIS, My Way ...” – **Provider in WA**

The increasing demand and increasing competition also prompted a growing number of organisations to join forces, with 25% of respondents reporting having merged or entered into consortia or other formal partnerships in the past six months. Mergers accounted for 6% of joint activity in this period. The findings point to some consolidation of the disability services sector in response to the NDIS reform.

## Strong stakeholder relationships

A key driver of confidence is the strength of relationships with stakeholders, including clients and families (94% report a strong relationship), the community (87%) and not-for-profits in the sector (72%). The strength of relationships with government agencies is lower, and more respondents expect a stronger relationship in the future with commercial businesses than in the past.

## Government policy

Most respondents (81%) report that the policy environment is uncertain, that it is confusing (73%) and that government is not anticipating or responding to the needs of organisations such as theirs (71%). However, two thirds (65%) agree that the policy reforms are heading in the right direction.

Concerns about the contribution of not-for-profits in the context of review of competition policy and uncertainty over wage outcomes for supported employees feature in the qualitative findings.

“If government continues to have little or no understanding of a not-for-profit, that is that NGOs must be able to have a margin/income that reflects the business costs of operating – our business, which is service, will not be able to continue in the future.”  
– **Provider in NSW**

Most respondents (68%) report that their organisation has to follow too many rules and regulations.

In terms of the NDIS, service providers are divided on the speed of the rollout. This is the case across all sub-groups, including those who are and those who are not registered to provide disability supports in an NDIS trial site.

## Financial performance

A 2014 NDS survey of NDIS readiness found that fewer than a quarter of respondents (24%) were confident their practices were adequate for responding to the NDIS. This aspect of financial management is important in cost recovery under the NDIS.

A key financial ratio analysis conducted by NDS, involving a non-representative sample of 129 responding organisations in 2012-13, found that:

only 33% met the recommended standard of three months or more of spending, highlighting potential cashflow difficulty

9% of respondents have current assets that are less than current liabilities, pointing to risk of insolvency

11% of respondents made losses in the last two financial years

more than one third (35%) of respondents had debts to total assets of more than 0.5, indicating relatively high debt

43% of respondents had a return on assets below inflation, meaning that they are not maintaining the real value of their asset base.

## Human resources

Two thirds of respondents to the Business Confidence Survey say they had difficulty recruiting competent leaders and managers over the previous six months, and a similar proportion expect this to continue over the next six months. They also cite concerns about recruiting competent directors and management committee members, with two thirds stating they expect it to be difficult to recruit for governance positions.

More respondents expect difficulty retaining staff in the next six months than experienced it in the past six months, with the most difficulty expected among casual staff (48%) and volunteers (45%).

## Organisation infrastructure

Around half of respondents lack the internal capacity (51%) or ICT (49%) needed to improve services, but a lower proportion expect these barriers to continue over the next six months. About a third report lack of space to operate as a constraint.

## Conclusion

The strong performance and confidence of respondents are supported by organisations reporting an increase in demand and the adoption of growth strategies. Organisations also report increasing competition, involvement in formal collaborations and strength of relationships.

The positive results are perhaps surprising, given the volatility in the operating environment for all not-for-profit organisations and the significant changes in the disability services sector. The biggest challenges relate to government policy, income volatility, human capital and organisational infrastructure.





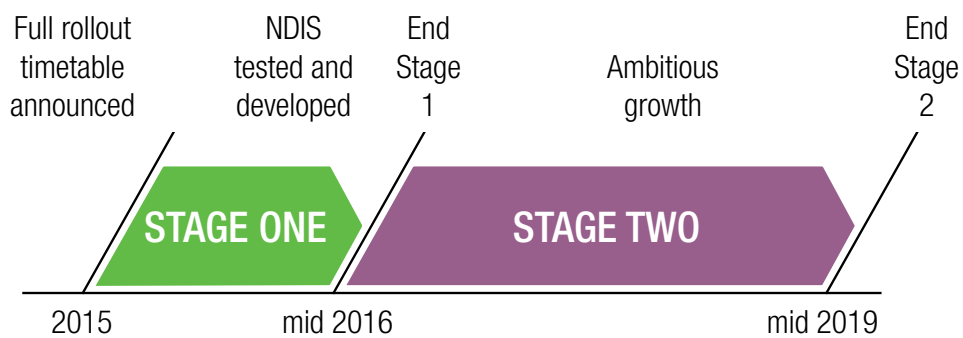
# NATIONAL DISABILITY INSURANCE SCHEME (NDIS)

## The rollout

Now launched in trial sites in seven states and territories, the NDIS is in a critical phase of testing and development.

“The disability sector campaigned hard to win political support for the NDIS and expectations are high of the benefits it will bring. Enthusiasm for the reform vision, however, is mixed with frustration from the trial sites and uncertainty about key elements of the design.” – **Ken Baker**

**Figure 5: predicted stages of the NDIS rollout**



## What can we expect in...

# 2015

### **TIER 2:**

this is important for people who do not qualify for an individual support package but require some disability support, and for services that cannot sensibly or efficiently be funded through charging individuals.

### **SYSTEM INTERFACES:**

COAG has agreed on principles that define responsibilities between the NDIS and other service systems, such as health, mental health, education and transport. In practice, however, there are demarcation disputes that require resolution.

### **HOUSING:**

the demand for accommodation support will not be met without a significant increase in housing supply. The NDIA is seeking advice on how to invest up to \$700 million a year to stimulate housing supply without becoming a property developer.

### **QUALITY AND SAFEGUARDS:**

at present the NDIS relies on existing state-based systems, but governments want a national risk-based regulatory framework that maintains minimum standards without unduly restricting contestability or choice.

### **THE FUTURE MARKET:**

for participant choice to be meaningful, the disability support market must enable contestability, diversity and access to services and information across Australia. Retaining the not-for-profit sector's capacity for social capital creation will also be crucial.

TABLE 1:

## Hot issues for the NDIS rollout

ISSUE	DETAILS	NDS SOLUTION
<b>Pricing</b>	NDIS prices for in-home and community support are too low. The NDIA's intention to reduce the real value of prices in future years could lead to market failure.	Price setting should be informed by evidence, and price deregulation should be tested now, during the trial.
<b>Planning</b>	Early participant plans were too prescriptive and lacked sufficient knowledge of the person or their service history.	Plans are now more flexible but the planning process should be outsourced to the non-government service sector.
<b>Transition</b>	The viability of many not-for-profit organisations will be severely tested as block payments in advance are replaced by individualised payments in arrears.	Measures will be required to mitigate this risk, including significant investment in sector development.
<b>Engagement</b>	The principle of co-design, which infused the development of the NDIS, is even more important during the trial.	Effective engagement between the sector and the NDIA is essential for the creation of a robust, efficient and sustainable NDIS.
<b>Industrial relations</b>	The NDIS will test industrial regulation as scheme participants want greater flexibility.	Work with Fair Work Commission and the unions to achieve flexibility and secure, attractive jobs and careers for staff.
<b>Federal Budget</b>	The NDIS survived a tough 2014 Budget, but fiscal pressure is ongoing. A 0.5% addition to the Medicare levy, effective from July 2014, will not cover the scheme's full cost.	Governments will need to find more money which budget forward estimates do not yet reflect.
<b>Government services</b>	The complete or partial withdrawal of several state and territory governments from disability service provision will create challenges and opportunities for the sector.	NDS is urging governments to ensure policy clarity and appropriate funding for providers who take on services.

## NORTHERN TERRITORY

The success of the Barkly region NDIS trial site, which is remote and has 69% Aboriginal population

The reality of having no organisation located within the Barkly trial site that has disability services as its core business highlights the challenge of creating a market for disability supports.

## WESTERN AUSTRALIA

The testing of two different models of governance in the trial site administered by the NDIA and the My Way site administered by the WA Disability Services Commission

As yet, there is no agreement for the full rollout of the NDIS in Western Australia.

## SOUTH AUSTRALIA

The tension around the interface between the NDIA and other mainstream services important to children, such as education and health

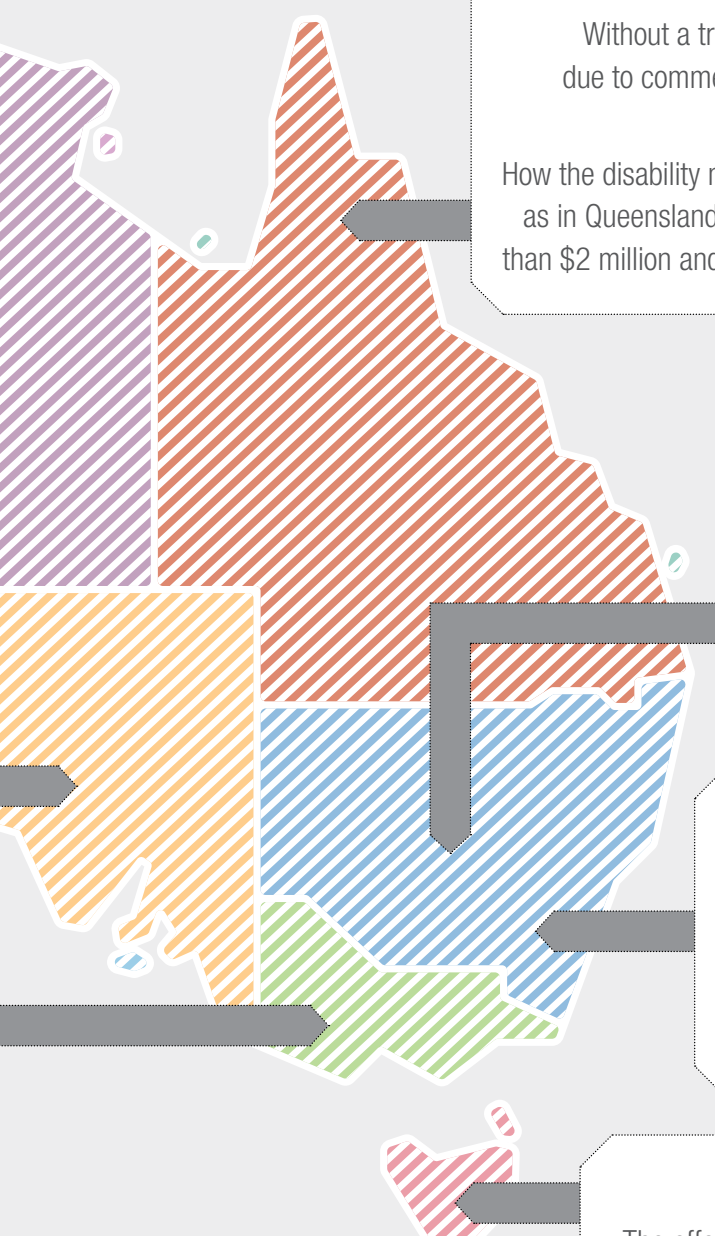
How the NDIA deals with the number of eligible participants significantly exceeding the number in the agreement between governments

New worker safety screening arrangements which are expensive, slow and inefficient.

## VICTORIA

How the NDIA will resolve the pricing arrangements, the greatest challenge to providers in trial sites

The landmark change that will see all children receiving a single plan for their disability, education and health needs in the Barwon trial site.



## QUEENSLAND

Without a trial site until full rollout of the NDIS, due to commence in July 2016, Queensland risks being underprepared

How the disability market evolves in the lead-up to the NDIS, as in Queensland 80% of providers have turnover of less than \$2 million and many operate in rural and remote areas.

## NEW SOUTH WALES

Planning for the full implementation of the NDIS by 1 July 2018 will need to be intense; the sector is awaiting announcement of details

How the disability sector responds to the transfer of disability and home care services from government to non-government providers.

## AUSTRALIAN CAPITAL TERRITORY

How the NDIA deals with the ACT being the first whole jurisdiction to transition into the NDIS

How the disability sector responds to the transfer of disability services from government to non-government providers.

## TASMANIA

The effectiveness of the school-to-work pathway being developed and tested by the NDIA

The performance of the not-for-profit sector-run Local Area Coordination that is being evaluated by the NDIA.

## 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 so far

Participant plans are enhanced by providers supporting and enabling participants to have **meaningful discussions** with planners.

The NDIA plans are a **valuable source of demand data** for providers and should be used to help shape decisions about future service offers. Providers have told NDS that many participants are selecting their existing providers following the development of their first plans.

**Understanding customer needs and preferences** will help providers distinguish themselves in the market and retain and attract new customers.

**Customer retention is not a given**, and relies on providers being able to respond to changes in patterns and preferences of participants.

Interviews with service providers in NDIS trial sites found:

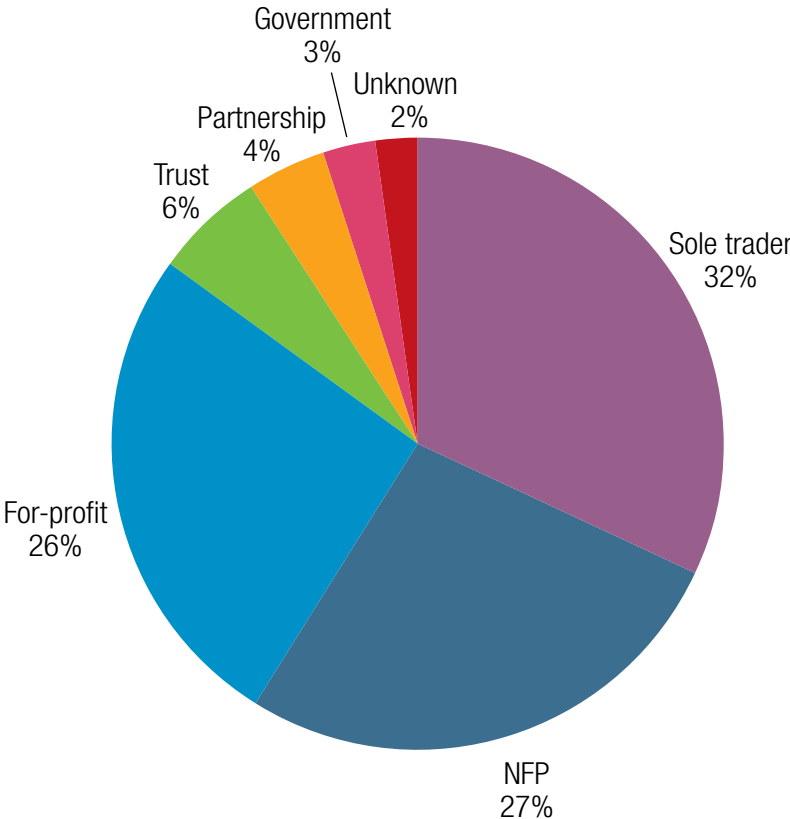
- not-for-profit organisations report having to extend their hours well beyond ordinary business hours to meet consumer preferences
- supervision of and HR support for workers is more difficult when services are individualised
- with an individualised service model, more workers are needed to support the same number of clients
- it is hard to fill short-hour shifts
- low prices threaten to erode the quality of support
- employers would like more flexibility in some clauses in the Social, Community, Home Care and Disability Services (SCHADS) Award
- workers report job satisfaction from supporting people to achieve their goals.



# Trial site providers – an analysis

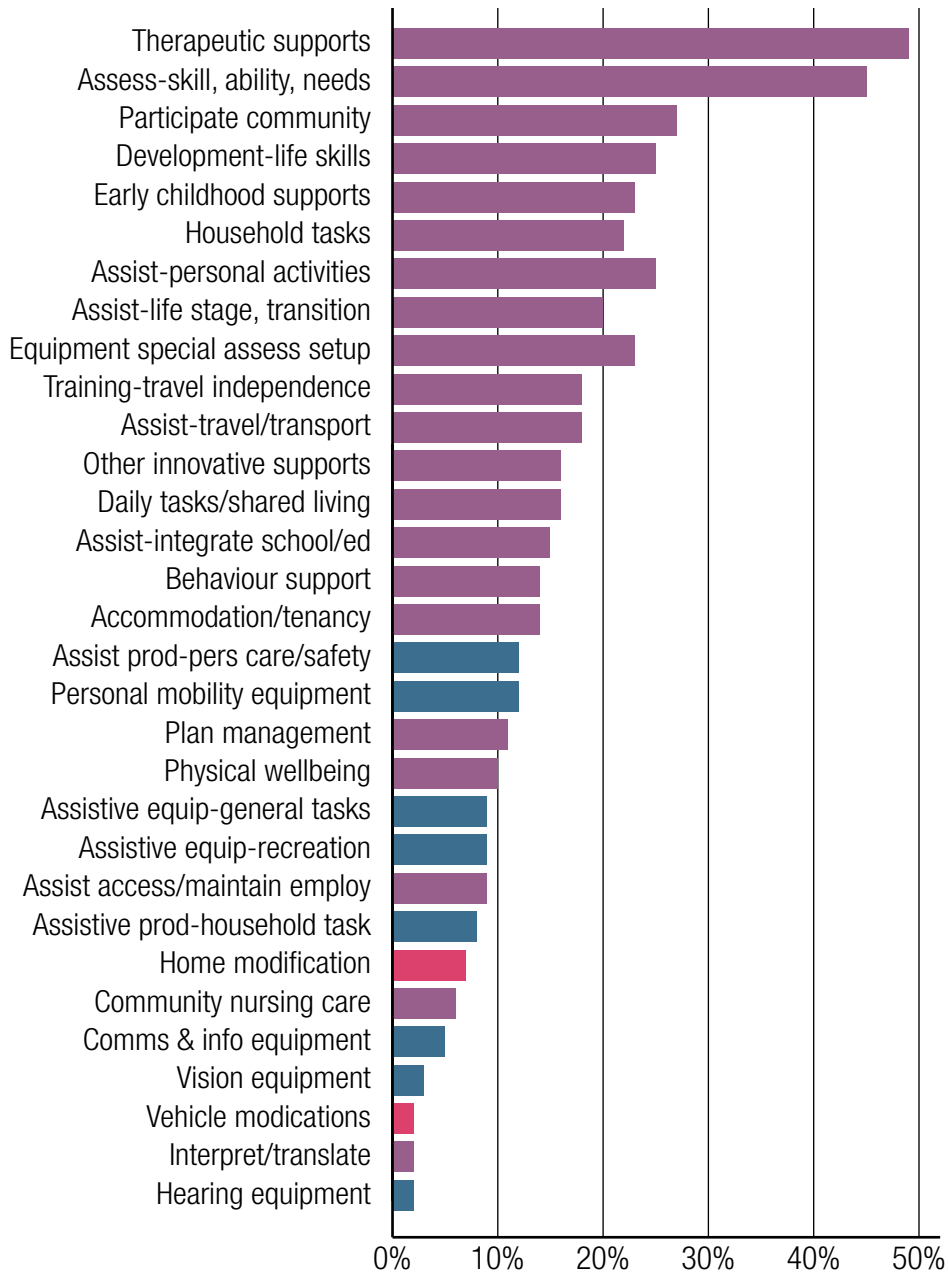
The trial sites had a total of 1,220 registered providers in June 2014. Sole traders were the largest group (32%), closely followed by not-for-profit (27%) and for-profit (26%) organisations (Figure 6). These figures bear no resemblance to market share.

**Figure 6: percentage of registered providers in the NDIS trial sites**



In the first year of the NDIS, most sole traders registered to provide therapeutic supports, the specialised assessment of skills, abilities and needs, and early childhood supports (Figure 7).

**Figure 7: providers registered for each support, national (except NT, WA)**



- Personal Assistance Support Services
- Assistive Equipment and Technology Services
- Modification Service

## Pricing and costing

Acting on sector concerns over the inadequacy of some service prices, the NDIA and NDS agreed in May 2014 to establish a joint working group to make recommendations on pricing. The group's final report presented a pricing method – the reasonable cost model – and recommended price increases.

However, the NDIA's revised prices, published in June 2014, reflect only some of the group's recommendations. The NDIA agreed on the methodology of the reasonable cost model and the need for further data to better inform price-setting. There was also agreement in principle on deregulation of maximum prices, but the NDIA will not act on this until the market is more mature. Negotiation between the NDIA and NDS on the pricing issue is ongoing.

## Impact on working conditions

A risk resulting from the NDIS is the potential for over-reliance on casual employment, as providers try to meet demand for more flexible support arrangements. This will impact on providers' ability to recruit and retain their workforce, and on consistency of support workers for people with disability.

The Fair Work Commission is required to review all Modern Awards every four years to ensure they provide a fair and relevant safety net of terms and conditions. The SCHADS Award may not be reviewed until 2016.

NDS is seeking certain variations and clarifications to award conditions that respond to the changing nature of disability services. The aim is to achieve the flexibility to respond to consumer demand while ensuring that working conditions attract, retain and reward high-quality staff.

As the NDIS is implemented, some governments will transfer some or all of their disability services to the non-government sector. This is a welcome expression of confidence in the capability of the non-government sector. However, an amendment made to the Fair Work Act 2009 (Cth), the Fair Work Amendment Transfer of Business Act 2012, is a potential barrier. It requires that public sector employees retain their terms and conditions for five years if employed by a non-government organisation within three months of the transfer of business. As wages and conditions are typically more generous in the public sector, this presents potential financial and HR risks for non-government organisations.

Organisations should seek industrial-legal advice on the circumstances under which the Transfer of Business provision applies. NDS has raised this issue with the Australian Government, which agreed to consider it during the post-implementation review of the 2012 legislation.

## Economic benefits

In 2011, NDS produced a model of the economic benefits of the NDIS, using the ABS survey (SDAC) available at the time. It predicted that the NDIS would raise gross domestic product (GDP) by \$9.6 billion per year.

In 2014, NDS commissioned Agape Economics to prepare an updated estimate of the economy-wide effects of NDIS implementation. This found that the NDIS should give 24,000-38,000 people with significant disability access to employment. NDS expects a similar increase in labour force participation of carers.

Using REMPLAM, an input/output econometric tool, we estimate disability employment gains will increase GDP by between \$7 billion and \$11 billion (in current dollars) when the scheme is fully implemented. Carer employment will expand GDP by a further \$11 billion. Taxation revenue will also increase, as will savings to government in income support, offsetting the costs of the scheme.



# POLICY AND ECONOMIC LANDSCAPE BEYOND THE NDIS

## What can we expect in...

### 2015

As the NDIS is implemented, there are signs that some state and territory governments will **seek to reduce their investment** in Tier 2 and mainstream services.

The trend is continuing where some governments are **failing to meet growth funding required** for specialist disability services while the NDIS is in trial phase.

A **decision will be made on the regulatory framework for charities** (and whether it is done through the Australian Charities and Not-for-profits Commission or some other body).

**Government will consider expanding the role of competition** in the delivery of human services.

**Recommendations from an interim report on welfare reform** (from an advisory group headed by Patrick McClure) should be reflected in the 2015 federal Budget.

## National Disability Strategy

The National Disability Strategy is a whole-of-government 10-year plan to promote the rights and social inclusion of Australians with disability. It covers the key domains of health and wellbeing; economic security; learning and skills development; rights and justice; accessible communities; and personal support. Apart from the launch of the NDIS, the strategy's progress has been patchy. Its vision is powerful, but it has no additional funding attached and its performance measures are weak.

- Aged care reforms commencing in July 2014 were advertised with the words 'As I get older I want to have choice and control'. Use of the NDIS phrase 'choice and control' hints at the policy convergence that could lie ahead. Convergence is more likely since last year's combining of aged care and disability in a single federal portfolio and department. At this stage, however, there is no sign that the government will replace the stringent aged care funding caps with the NDIS concept of 'reasonable and necessary support'.

- Improving the education systems' support for students with disability is on governments' agenda, but progress is slow. Education Ministers have agreed a nationally consistent definition of disability that all schools will use from 2015. This will provide comprehensive data to inform the calculation of a disability loading in education funding. Resources are also being developed to help teachers meet their obligations under the Disability Standards for Education.
- Governments across the country have begun to show interest in improving the lives of people with disability in justice systems, with initiatives under way to educate police and other legal staff about working with people with disability and to reduce the high incarceration rates of people with cognitive impairment.

## Welfare reform

The Australian Government is reforming the complex interface between income support and employment. The interim McClure report is constructed around four reform pillars: a simpler and sustainable income support system; strengthening individual and family capacity; engaging with employers; and building community capacity. It proposes restricting the Disability Support Pension (DSP) to people with permanent disability and no capacity to work, and creating a tiered working-age payment for people who have current or future work capacity.



The 2014 federal Budget announced measures designed to encourage people with disability to find work, including imposing participation requirements on DSP recipients aged under 35. These measures are unlikely to boost the low employment rate of Australians with disability without increased investment and policy effort to improve pathways to employment, the capacity of employment services and the responsiveness of employers. Welfare reform is likely to figure in the 2015 federal Budget.

## Not-for-profit reform

The government has introduced a Bill into Parliament to close down the Australian Charities and Not-for-profits Commission (ACNC) and, in July 2014, released an options paper recommending it be replaced by a mix of oversight from the Australian Tax Office (ATO) and self-reporting by not-for-profits. Whatever the future regulatory structure, there are important functions of the ACNC that should not be lost: the provision of advice; the maintenance of a register of charitable organisations; and the issuing of authoritative up-to-date certificates of charitable status. Returning the power to determine charitable status to the ATO would be problematic – less so if it is agreed to establish a dedicated ATO unit and an independent external review panel.

## Competition policy

The government's current review of competition policy includes a focus on the community services sector. There are benefits to consumers in expanding the role of non-government service providers: typically they are less bureaucratic, more responsive to local needs and preferences, more mission-driven and more efficient than their government-owned counterparts.

Competition will grow as governments outsource disability services and for-profit providers enter the market. This should expand choice for consumers, but risks will need to be managed. It would be counterproductive to drive out good not-for-profit providers if all they lack are the resources and skills to market their services. Equally, increased competition would be counter-productive if it weakened the ability of not-for-profit services to cooperate and collaborate, particularly on community development and the production of social capital.

## Quality and compliance trends, including red tape reduction

Existing regulation for disability services is administered by Commonwealth, state and territory governments. Much of this will not be fit for purpose in an NDIS market. For example, contracts between governments and providers will no longer be available as the key mechanism for promoting and monitoring quality standards.

COAG is tasked with developing a regulatory framework for the full rollout of the NDIS. A consultation Regulatory Impact Statement (RIS) on quality and safeguards is expected to be released in February 2015.

NDS acknowledges the challenge for all governments to agree on a nationally consistent approach to regulation. However, this would address longstanding regulatory inconsistencies across states and territories. The time is right to develop a more coherent and efficient regulatory system.

NDS is committed to assisting members to provide safe, high-quality support for people with disability through systems grounded in the COAG-endorsed national disability services standards, while also advocating for reduction of unhelpful regulatory burdens. This requires a risk-based approach to bureaucracy, minimal duplication, and provider collaboration and choice on quality assurance and monitoring systems.

It is important to ensure the new quality and safeguard framework is well informed by disability provider experience and NDS is seeking the views of members for its input to the RIS. NDS is also consulting on policy proposals to recognise the key role the disability industry needs to play in setting, promoting and monitoring standards for appropriate practice – a co-regulation model.

## Safeguarding against abuse and neglect in the community sector

Alongside the development of regulation for the NDIS, governments are also considering the need to improve safeguarding across human services.

For its part, NDS is assisting providers to prevent and improve responses to cases of abuse and neglect of people with disability through its Zero Tolerance project.

This project includes the development of evidence-based resources for providers on approaches to preventing and tackling abuse. Related resources expand on topics such as safer recruitment practice and managing investigations. NDS has also produced a report based on service user perspectives about what providers can do to enhance the safety of people with disability in service environments.

NDS has issued a policy paper, 'Improving safety screening for support workers', which argues for mandatory criminal history checks, employer discretion and accountability to mitigate on-the-ground risks, and effective screening-out of support staff guilty of malpractice. It supports a consistent approach to worker screening across the community sector and the jurisdictions. Safety screening of workers is one important tool in a broader framework of safeguards to reduce the risk of abuse, neglect, theft or any other harm to people with disability.

# EMPLOYMENT SERVICES

## Supported employment

ADEs are an important employment option for people with disability. They employ about 20,500 people with severe disability, in addition to around 5,000 support staff and managers.

The most common primary disability of supported employees is intellectual disability (68%), followed by psychiatric (12%) and physical disability (7%). The workforce is ageing and the average hours worked per week has decreased over the past five years (Table 2).

**Table 2: supported employee profile**

	2014	2009
Average age	40	39
Supported employees aged 65+	628 (3% of workforce)	348 (1.5% of workforce)
Supported employees aged 50+	6,407 (31% of workforce)	5,432 (24% of workforce)
Average weekly wage	\$102	\$90.25
Average hourly wage rate	\$4.48	\$3.61
Average hours worked per week	22.8	25

The past year has been a challenging one for ADEs. As well as experiencing tight economic conditions, they have faced legal and industrial actions. In the year ahead, ADEs will be considering the future impact of the NDIS on their services, and they may be subject to an open tender process, although NDS is presenting the government with strong arguments against this.

A recent NDS survey on the financial performance of ADEs in 2013-14 has revealed that about 50% appear to be struggling financially. Based on the 74 responses received:

- ADEs had a combined income of \$365 million
- 36 made a loss
- the net loss for those 36 ADEs was \$9,854,691 (an average of \$133,172)
- the largest surplus was \$735,000
- ADEs surveyed spent a total of \$50,091,688 on capital expenditure (an average of \$676,915)
- average government funding per supported employee was \$11,200.

ADEs continue to face uncertainty over wage assessment methods, although there are signs of progress. The government has announced \$173 million to help develop and implement a new wage assessment tool, and the Fair Work Commission is assisting this.

But there are critical debates ahead 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 developed and is running a campaign, 'ADEs Work for Me', which calls for a plan to secure the future of supported employment ('no job losses, fair wages and sustainable businesses'). It is also arguing for an industry development plan instead of an open tender, which includes assisting organisations to prepare for the NDIS and develop viable businesses, and boosting government procurement from ADEs.

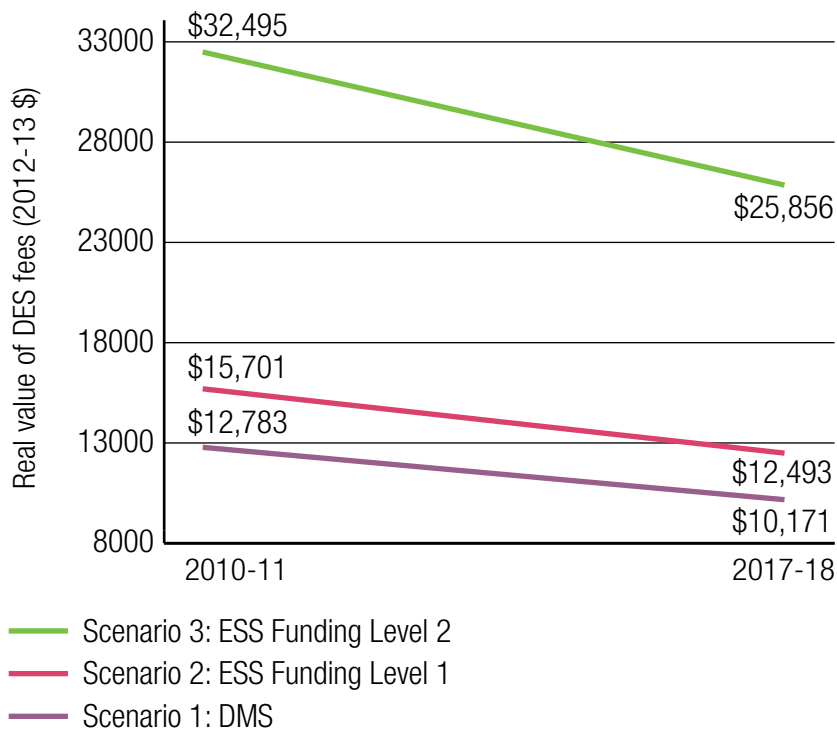
## Open employment

DES providers are constrained by excessive red tape. More than 900 pages of contractual obligations and guidelines are diverting their resources away from their primary tasks of finding and maintaining jobs for people with disability.

The Government has red tape reduction for businesses, community organisations and individuals on its 'to do' list, promising to cut compliance costs by \$1 billion a year. NDS is encouraging it to start by reducing the contractual rules that ensnare DES providers.

DES providers are also struggling with a decline in the real value of funding, the result of an indexation freeze on program fees. Figure 8 demonstrates the financial impact of no indexation between 2010-11 and 2017-18, the end of current contracts. The three scenarios are based on typical patterns of fees for participants in the DES – DMS (Disability Management Services) program and at both funding levels in the DES-ESS (Employment Support Services) program.

**Figure 8: financial impact on DES providers of no indexation between 2010-11 and 2017-18**



NDS continues to urge the government to increase the fees for the DES programs. We are also asking that the program design be reviewed before the conclusion of the current contract, and for consideration of how to more closely align it with NDIS principles.

## **DMS contract (for CRS Australia business)**

NDS welcomed the 2014-15 federal Budget announcement that DMS business held by CRS (47% of all DMS) would be tendered to non-government providers. This was an important vote of confidence by the government in non-government providers. The result of this tender will see 30,000 people transition to alternative providers in March 2015.

All DMS providers now have contracts until 2018, which is in line with the ESS contracts.

## **ESS business reallocation**

ESS business reallocation is scheduled for April 2015, and will be based on the December 2014 star ratings. All ESS providers with contracts rated at 2-star and below (including those providers with insufficient data) will be in scope for reallocation. The transition is expected to be completed by mid-May 2015.

## **Profile of DES participants**

Since 2010, there has been a noticeable change in the profile of DES participants (Figure 9). Uncapping the program has resulted in substantial growth, particularly among people with psychiatric and physical disability.



**Figure 9: primary disability of DES participants (%), 2011 and 2014**

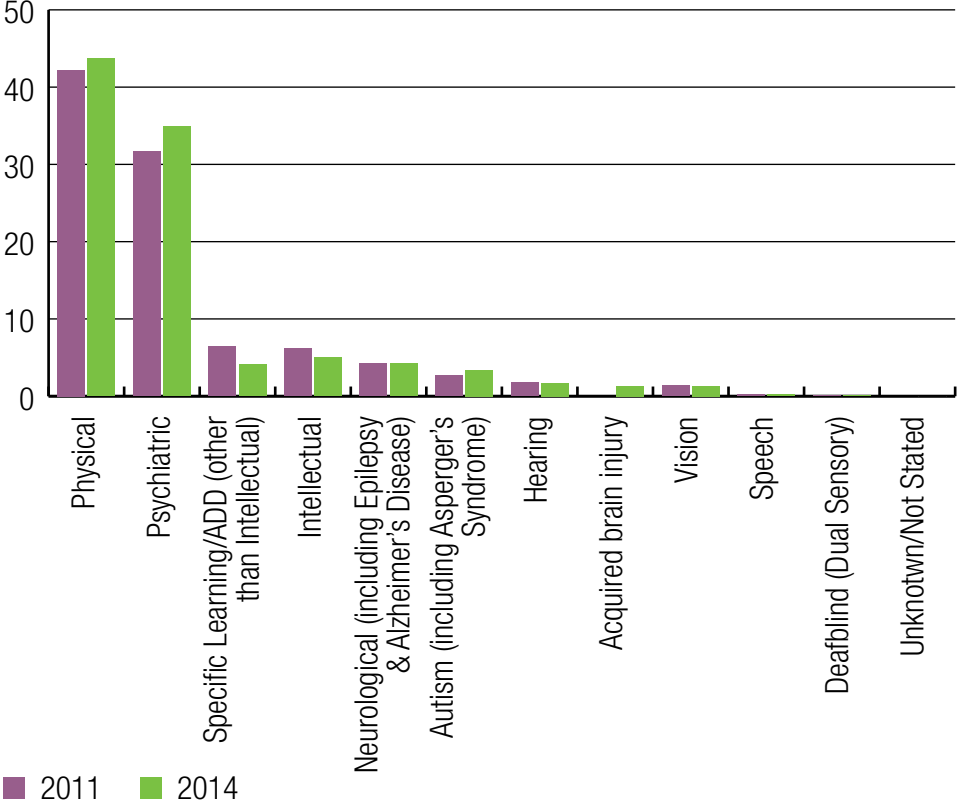
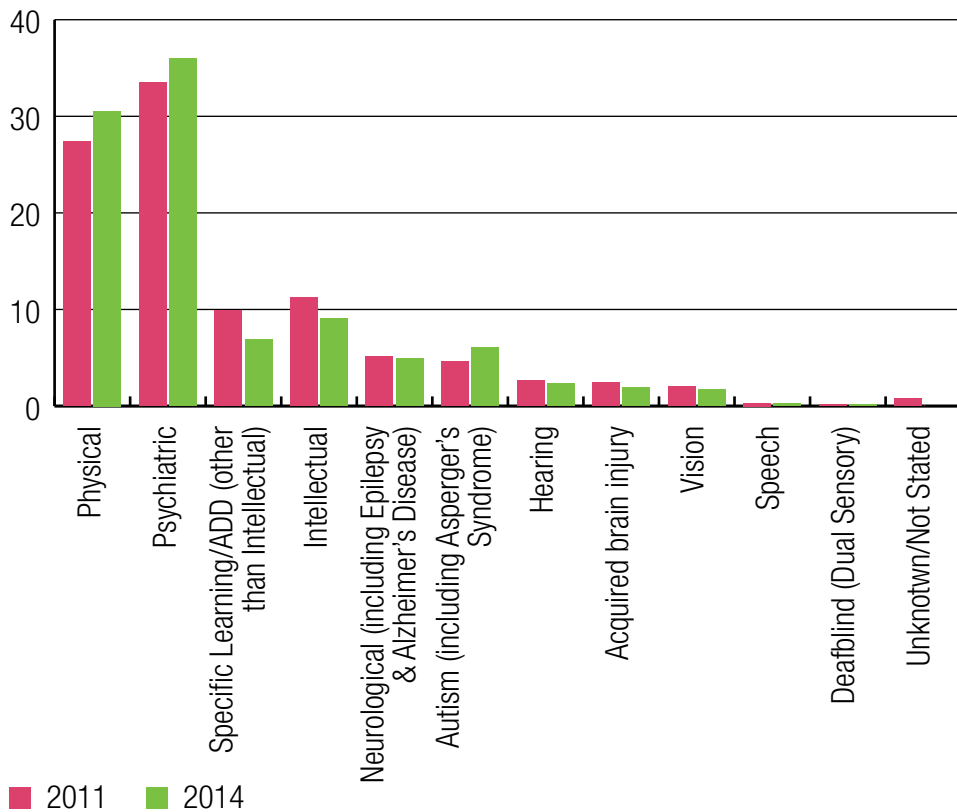


Figure 10 demonstrates that these changes have been even more pronounced in the ESS program.

**Figure 10: primary disability of ESS participants (%), 2011 and 2014**



In the year ahead, work will begin on reviewing the design of the DES program in the lead-up to the end of current contracts in March 2018. NDS is keen that this review consider the alignment of the DES program with NDIS design principles, including participant choice, a focus on the long-term benefits of early investment, and individualised plans constructed around a participant's needs and goals across life domains.

At present, specialist employment services for people with disability sit in two silos (open and supported) with the pathway between them difficult to traverse (for example, to engage with a DES, a supported employee must first resign from their ADE). The future is likely to see the evolution of a more diverse spectrum of employment models and options for people with disability, with a reduction of programmatic barriers.

# WORKFORCE SUSTAINABILITY

The NDIS amplifies and modifies disability workforce demand; the rapid growth over the next five years will pose significant workforce sustainability risks. To help address these risks, NDS led a research and policy project to develop advice for the Australian Government on a National Disability Workforce Strategy. The final report, 'Roadmap to a Sustainable Workforce', was delivered in October and will inform COAG negotiations.

This strategy work has also provided useful input to the National Workforce Innovation Network project, led by NDS and funded by the Department of Industry. A new workforce adviser commenced work in each state and territory in July 2014. This project aims to assist providers with workforce planning, collect and share good practices, undertake data collection and develop regional plans.

## Will the sector run out of workers?

Difficulty in recruiting competent staff is a concern for most NDS members when they consider the future. Among respondents to the NDS Business Confidence Survey:



about two thirds expect difficulties in recruiting both paid staff (permanent and casual) and volunteers over the next six months

seven in 10 expect difficulties in recruiting leaders and managers.



In the 2013-14 NDIS trial sites, however, research found that although services were growing quickly, they were able to recruit to keep up with the limited growth. The real pressure will come in the run-up to full NDIS rollout, when competition for workers will intensify, and new providers may attempt to "cherry pick" staff from existing providers.

## The disability sector workforce is relatively small but growing rapidly

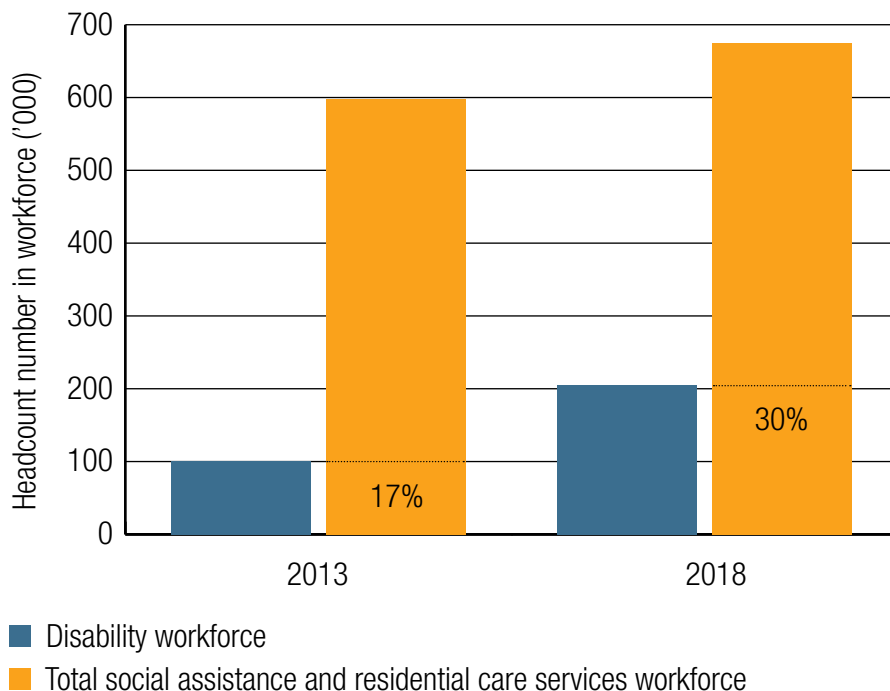
The disability sector has **grown very rapidly** in recent years (39% between 2006 and 2011 census). This has been possible, in part, because the sector has low entry barriers and a track record of engaging new people from outside it. At just over 100,000 workers in 2013 the paid disability workforce is small relative to other social assistance and residential care services.

Providers favour a 'place and train' approach over 'train and place', and have been very effective at recruiting certain labour market groups, such as mature-age women. Workforce growth has kept up with, or in some cases outstripped, the growth in funding in most states and territories between 2006 and 2011.

The low levels of workforce utilisation seen in the early 2000s (where less than a third of workers were full-time) have been increasing more recently, with 40-50% of disability support workers now working full-time.

The disability workforce is expected to grow substantially as a proportion of the social assistance and residential care services workforce, from 17% in 2013 to 30% in 2018 as shown in Figure 11.

Figure 11: projected workforce growth, 2013 to 2018



## Watch-for indicators point to trends in workforce surplus or shortages

Understanding where labour market shortages for particular skills are occurring will be essential to service and workforce planning. Current data does not make it easy to calculate the number of disability service workers by location, or details such as their earnings, employment status and hours of work.

Work led by NDS on the National Disability Workforce Strategy tested an approach to identifying workforce risk or 'watch-for' indicators. These indicators help identify either emerging problems of workforce surplus (too many workers of a particular occupational type available given the demand) or shortage (not enough workers available to meet demand).

These were applied to the key disability occupations of 'support worker', 'physiotherapist', and 'speech pathologist'. They found strong growth in some disability-related occupations in recent years, with 'support workers' growing most rapidly. While signs of workforce shortage are appearing for physiotherapists, the occupational labour market for speech pathologists currently shows a good balance between demand and supply. Growth in these and other allied health occupations, however, is correlated with university course applications. We can expect that growth in graduate numbers will be affected by restricted university funding and increased student fees.

As the NDIS is implemented, NDS intends to publish information to assist providers to track workforce risks and patterns.

## Employee engagement

The NDS Employee Engagement Survey conducted in NSW shows that not-for-profit disability service provider employees are passionate about their jobs and about working in the sector.

Key findings from the report were:

staff in the disability sector tend to be **highly engaged**, and are particularly satisfied with their job and the nature of the work they do

staff tend to feel that their organisation is **successful in meeting its objectives** and clients' needs



96% of **staff like the work they do** – 24% higher than the all-industry average job satisfaction rate



82% of staff in the disability sector are **satisfied with their work-life balance**, 9% higher than the all-industry average job satisfaction rate.

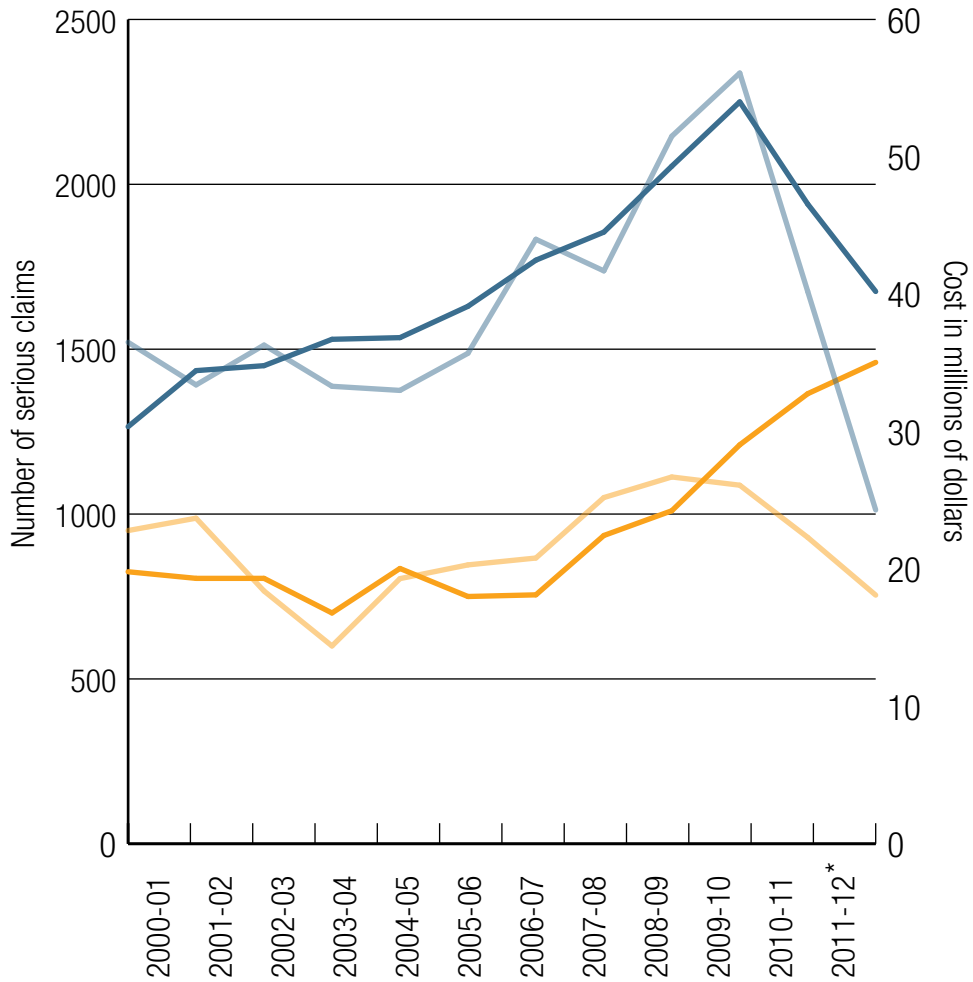
The pilot survey reports that not-for-profit disability services are generally fostering a high level of employee engagement and that their employees are committed to their work and actively contribute to the organisation's performance and mission. The general satisfaction rate of the staff who participated in the NDS survey pilot in NSW is 14 percentage points above all-industry benchmark results.

## Work health and safety

Workers compensation is a significant cost for the disability sector. This cost varies from state to state, but usually depends on the number of employees and resulting payroll level, industry coding (due to the risk rate applied) and claims history.

A snapshot of some of these costs has been provided by Safe Work Australia for serious workers compensation claims nationally, related to two key industry classifications (Figure 12).

**Figure 12: national accepted workers compensation claims — serious claims for residential & non-residential care services by year of lodgement**



\*Preliminary data

- Non-residential serious claims
- Non-residential cost (\$m)
- Residential serious claims
- Residential cost (\$m)



The known key causes of injury in the disability sector are:

- manual handling
- slips/trips/falls
- workplace violence
- striking/being struck by furniture or equipment
- psychological injury
- vehicle accidents.

A further strong indicator of the sector's performance in this area is the amount of time lost in a workplace injury. Recent WHS benchmarking for 2013-14 found an average duration rate of 13.1 days lost for each claim. Time lost contributes to workers compensation costs and to uninsured costs relating to replacement staff and reduced service provision. This duration rate is increasing among reporting organisations.

There are two major ways disability service organisations can reduce their operating costs:

- improved work health and safety practices including:
  - safe work environment
  - safe work equipment
  - safe work practices
  - induction and ongoing training and supervision
- improved injury management practices including:
  - investigation of reported incidents
  - early intervention and return to work support
  - monitoring and support of injured worker to achieve a return to pre-injury duties.

# RESEARCH AND EVIDENCE

## Key points

the current disability research base is not fit for purpose

significant increased investment in disability research is urgently needed to support the projected \$22 billion disability market and the insurance approach that underpins the NDIS.

## State of research

The most recent comprehensive audit of disability research concluded that the current disability research base is not fit for purpose for the reform agenda and is fragmented and diversified across topics and study designs.

The audit also found that there was no critical mass of research on topics of priority to the National Disability Strategy, the National Disability Research and Development Agenda and the NDIS.



## Centre for Applied Disability Research

An Initiative of National Disability Services

Other key findings include:

- disability research in Australia is not easily accessible
- there is greater concentration of research in health, and to a lesser extent education, where there are established funding bases
- studies are primarily one-off and standalone in areas of researcher or organisational interest; this is not a mature, sustainable research base
- the disability reform agenda draws heavily on human rights and social equity principles, with a values base about choice and control, empowerment, and person-centred support
- most research does not address disadvantaged groups
- a high proportion of study designs essentially describe 'the problem' rather than focusing on evidence-based solutions
- experiences of people with disability as users of specialist and mainstream services are under-represented in the research evidence base.

NDS is committed to increasing the research capacity of the sector through initiatives such as the Centre for Applied Disability Research.



# CONCLUSIONS

The resilience of disability service providers has been tested over the past year. Ambitious reforms, a tight fiscal environment, rigid program rules and uncertainty about wage setting in supported employment make for a complex operating environment.

The NDS Business Confidence Survey findings indicate that the sector is rising to the challenge, but it's not easy. While there is broad support for the direction of disability reforms, the map is unclear and the journey can be daunting.

**“Uncertainty is an inevitable product of change and a road under construction is better than a sealed highway that heads in the wrong direction. But greater clarity is required soon to enable service providers to plan and prepare for the new world ahead.” – Ken Baker**

In expanding and renovating the disability support system, no one has a monopoly of knowledge or know-how. All stakeholders – including service providers, people with disability, their families and carers, and governments – deserve to be listened to (although not uncritically) if reform is to produce the benefits we all seek.

Over coming years, we can expect to hear concepts associated with markets and competition increasingly applied to community services. There is some sense in this, but government should proceed cautiously with the expansion of contestability in disability services. Once lost, the social capital created by not-for-profit organisations is hard to replace. Moreover, ‘market forces’ need to be managed if people with complex needs, who are often the most vulnerable, are to be assured of getting the support they need.

This report, underpinned by research, is one way in which NDS assists members to prepare for the future. In the year ahead, NDS will also continue to influence public policy, seeking to ensure that it is based on sound principles and practice; to provide information to members and feedback from members to government; create opportunities for members to network and share their experience and expertise; and generate practical resources to assist organisations to operate more effectively.



