



Brotherhood
of St Laurence

Working for an Australia free of poverty

Submission to the Disability Royal Commission on Australian Disability Enterprises (ADEs)

Brotherhood of St. Laurence

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Summary

We recommend the Commonwealth Government transition from supporting employment of people with disability in Australian Disability Enterprises (ADEs) towards supporting open employment. Open employment offers better scope than ADEs to promote the social and economic inclusion of people with disability because it pays decent wages, offers more upskilling and career development opportunities, and is aligned with person-centred approaches and interventions that build the capabilities of people with disability as well as employers.

We further recommend the Commonwealth Government adopt a systemic approach to supporting the transition towards open employment of people with disability. A systemic approach would require the Government to:

- diversify its policy toolkit, including by adopting more demand-side approaches to employment of people with disability
- promote best-practice employment policy by funding and commissioning open employment services and supports
- build the capabilities of government agencies, employers, and employment service providers to support open employment
- tackle negative attitudes towards people with disability by adopting a presumption that all people with disability are able to work in open employment settings.

Introduction

The Brotherhood of St. Laurence (BSL) is a social justice organisation working to prevent and alleviate poverty across Australia. Our mission is to pursue lasting change, to create a more compassionate and just society where everyone can thrive. Our approach is informed directly by the people experiencing disadvantage and uses evidence drawn from our research, together with insights from our programs and services, to develop practical solutions that work.

BSL welcomes the opportunity to contribute to the Royal Commission public hearing 22 on the experiences of people with disability working in Australian Disability Enterprises (ADEs). This submission draws on our research and policy work in disability employment as well our experience as an NDIS Partner in the Community delivering Local Area Coordination and Early Childhood Early Intervention services since 2016.

In Australia, people with disability are currently involved in four modes of employment: 'open' (also referred to as mainstream or competitive employment); microenterprises and self-employment; employment related to lived experience (such as mental health support workers, peer supporters, consultants and in disability advocacy organisations); and Australian Disability Enterprises or ADEs, sometimes referred to as sheltered employment (NDIA 2021a).

ADEs are not-for-profit organisations providing supported employment for people with disability. Up to 20,000 workers with disability were estimated to be working in ADEs in 2018 (AFDO 2018). Internationally and in Australia, there is a push to increase involvement in open employment

settings because they offer better scope than ADEs to promote economic and social inclusion for people with disability (Lysaght et al. 2017; AFDO 2018; Wehman et al. 2018).

1 Open employment better supports social and economic inclusion for people with disability

People with disability and representative organisations remain concerned about ADEs reinforcing the segregation of people with disability from community life (CYDA 2020). Despite advocacy organisations calling for an end to government funding for ADEs (CYDA et al. 2020, PWDA 2022), the Commonwealth Government continues to fund these and other sheltered employment models.

ADEs do not facilitate a person with disability's transition to mainstream economic and social life

Workers with disability in ADEs mostly work with other people with disability, which runs contrary to the National Disability Insurance Scheme (NDIS) objective of helping people with disability establish stronger connections with their broader community, including at work (NDIA 2021b).

For example, research undertaken through *Ticket to Work* initiative, which supports secondary school students with disability to make the transition to open work, has shown parents are dissatisfied with ADEs. Parents felt young people's skills were not being utilised in ADEs and also expressed concern that, once a young person is in an ADE, it is difficult to move out into mainstream employment (Wakeford & Waugh 2014).

In 2014, less than 1% of those employed in an ADE transitioned to employment in the mainstream labour market (AFDO 2018). Data from National Disability Services similarly suggests that less than 5% of people with disability transition to open employment from day services or supported employment settings (NDS 2017).

In contrast, the *Ticket to Work* initiative builds support networks of partners in local regions who work to provide opportunities for young people with disability to improve employability while they are at school (ARTD Consultants 2019). Partners include schools, Disability Employment Services (DES), registered training organisations (RTOs) and TAFEs, employers and disability services. An evaluation of the *Ticket to Work* model found that young people engaged in the initiative are much less likely to be in ADE and over three times more likely to be open employment post-school than a comparison group that wasn't in the *Ticket to Work* model (SVA 2020).

The business model for ADEs is underpinned by low wages

Another major concern about ADEs is that they are more likely to pay lower than minimum wage to their employees (Thies et al. 2021). Until recently, there were 22 ways to assess wages under the Supported Employment Services Award, indicating a huge variability in what a worker with disability in an ADE can be paid (ARTD 2021). The Fair Work Commission (FWC) ran a 3-month trial in 2019 to test a new, simplified wage assessment structure which introduced an overall increase in wages for ADE workers. However, 90% of ADE CEOs and management said they were

concerned that this new wage structure would impact their business viability (ARTD 2021). This demonstrates that the current ADE business model is not financially sustainable, let alone able to provide decent work opportunities for people with disability.

Community organisations and Government are moving away from ADEs

The position of Australian peak bodies and disability advocacy organisations mirrors the literature. Organisations such as Children and Young People with Disability Australia, Women with Disabilities Australia, First Peoples Disability Network Australia, Inclusion Australia and others are calling on government to create a strategy that aims at transitioning workers with disability from ADEs to open, inclusive forms of employment (CYDA et al. 2020).

Recent Commonwealth Government policy decisions are beginning to reflect the community's preference for open employment over ADEs. Most recently, the NDIA updated their pricing guide in 2021, no longer explicitly mentioning ADEs as a way to spend NDIS funding on employment supports, other than to say 'supported employment has typically been made available in an ADE' (NDIA 2022, p. 68). Further, *Australia's Disability Strategy 2021–2031* makes no mention of the terms 'supported employment' or ADEs (DSS 2021a), and the NDIA Corporate Plan, which the NDIA itself refers to on its website as the Agency's 'most significant planning document' (NDIA 2021c), points to the policy priority to 'Deliver sustainable employment outcomes for participants' (NDIA 2021b, p. 30).

Open employment delivers better employment, social, and economic outcomes for people with disability

Evidence shows that open employment is financially viable, pays better wages, offers more upskilling opportunities for people with disability and connects them with community.

Analysis conducted by the Centre for International Economics suggests that supporting people with disability to participate in open employment can be cost-effective and that, with some adjustments to work roles and with appropriate support, around 95% of people with intellectual and developmental disabilities in Australia could participate in open employment (Pearce 2017).

Open employment models have been successful overseas due to a conscious readjustment of government priorities and spending (AFDO 2018). This includes higher proportionally higher funding for the development of an 'open employment first' framework, with diminishing funding for ADEs.

There is also evidence that people with intellectual disability prefer employment in non-segregated settings (Wehman et al. 2018). People with intellectual disability have reported that the main motivation for moving from an ADE to open employment was to earn better pay, to work with people without disability and to gain increased opportunities for social interaction (Meltzer et al. 2016).

Research has identified that outcomes from open employment settings (as opposed to non-open settings such as ADEs) include:

- increased earnings (AFDO 2018)

- increased quality of life (Beyer et al. 2010)
- increased opportunities for skill development in the community (Meltzer et al. 2016).

2 Person-centred models in an open employment setting lead to positive outcomes

In an open employment setting, person-centred models of employment lead to positive outcomes. For people with intellectual disability, who are over-represented in ADEs (AFDO 2018), customising aspects of employment opportunities leads to positive experiences for both the worker and employer, as well as more sustained employment outcomes (Wilson & Campain 2020).

Interviews conducted with 34 academics, senior government and non-government executives with expertise in disability employment policy confirmed these findings: the majority highlighted the importance of employment interventions that are guided by person-centred approaches and that build the capabilities of people with disability as well as employers (Mallett et al. 2021).

Two relevant models are customised employment and Individual Placement and Support (IPS). In many ways the two models look similar. Each is underpinned by person-centred design and implementation that meets both employee and employer needs. They also feature broader links to mainstream economic life (through professional and peer networks, career guidance and supports, and regular check-in with employers).

Customised employment, unlike traditional approaches to getting a job in the competitive labour market, does not begin by focusing on job vacancies but focuses on what the person with disability has to offer the labour market. Customised employment is targeted and proactive and works with both the jobseeker *and* the employer to shape a job opportunity to match the requirements of both (Wehman et al. 2018). This can also allay employer concerns about hiring a person with disability and build confidence in their ability to support people with disability in the workplace (Simonson et al. 2015).

IPS on the other hand has a focus on rapid movement into employment with complementary support to address personal barriers not directly relating to employment, such as mental health issues (Wilson & Campain 2020). The model is recognised in Australia as effective for generating positive employment outcomes, particularly for jobseekers with serious mental health conditions (Thies et al. 2021). IPS models are useful in crafting a good fit between a jobseeker's talents and capabilities, the job and their employer. Mechanisms that have proven effective include job carving (working with an employer to create a job that aligns with someone's skills and abilities or dividing up a full-time job into multiple part-time positions or functions).

3 A systemic approach is needed to support open employment and improve employment outcomes

In order to achieve the policy priority of sustainable employment outcomes for people with disability, the Commonwealth Government needs to support a transition to open employment by adopting a systemic approach that:

1. diversifies the policy toolkit, including by adopting more demand-side approaches to support employment of people with disability
2. funds and commissions best-practice approaches to employment support that signal to the employment services market the supports they should be delivering to achieve optimal outcomes
3. aligns effort and builds capability across all levels of the disability employment ecosystem, including government agencies such as the NDIA, employers and employment services providers
4. tackles negative community attitudes by adopting the presumption that people with disability can work in open employment settings.

We outline below four concrete ways the Commonwealth Government can use a systemic approach to support open employment.

1. Diversify the policy toolkit by investing in more demand-side and bridging job creation initiatives

In 2020–21, BSL and the University of Melbourne reviewed national and international evidence to identify effective interventions and policy initiatives for increasing participation in employment for people with cognitive disability (also referred to as ‘intellectual’ or ‘learning’ disability). The Economic Participation and Employment Project (EPEP) found that over 60% of interventions in both Australia and overseas were supply-side approaches, with the majority being vocational programs (Brown & Mallett 2021). Supply-side approaches aim to build the skills and capacities of jobseekers to take up employment.

The project also found, however, that a combination of supply, demand and bridging policies is likely to be more effective than just a supply-side focus as it can build capability across the entire system, addressing employer and service provider capability, engaging communities, and potentially involving mainstream systems of support, such as schools (Kavanagh et al. 2021). Demand-side initiatives include wage subsidies, social procurement and support for social enterprises that promote the entrepreneurship of people with disability (Kavanagh et al. 2021). Bridging interventions combine elements of both supply and demand, and include models like *Ticket to Work* that create an employment opportunity as well as work with jobseekers to improve their job readiness.

Promisingly, the Commonwealth Government has acknowledged the role of demand-side initiatives in shifting the dial on employment. The first policy priority in Australia’s Disability Strategy 2021–2031 under the outcome area of employment is to ‘Increase employment opportunities for people with disability includes encouraging business ownership and development, self-employment and entrepreneurship’. (ADS 2021, p. 17).

Another demand-side intervention that EPEP found promising to explore further was the use of social enterprises to improve employment outcomes. Broadly defined, a social enterprise is any organisation that focuses on social change. It is an economically viable business, which pays a wage commensurate with the standard of living, in a setting involving meaningful work that

includes opportunities for the acquisition of socially valued skills and career development, as well as contributing to opportunities for social relationships (Smith et al. 2018). Social enterprises offer a ‘step-up’ alternative to ADEs by increasing on-the-job training and providing ongoing support for employees to transition into open employment. They can also focus on upskilling for future employment opportunities and facilitating broader links to the community (AFDO 2018, Thies et al. 2021). Social enterprises are viewed as less segregated from the community than ADE settings by Australians with intellectual disability (Meltzer et al. 2016).

Implementing social enterprises in the Australian context would not be difficult, as research points to a number of disability service providers running both registered training organisations (RTOs) and ADEs alongside their suite of services. The ADE can develop into a social enterprise, and with the help of the RTO can provide jobseekers the opportunity to acquire the necessary skills to participate in a variety of labour market sectors, including enhanced supported employment, open employment, microenterprise and self-employment (Smith et al. 2018).

2. Fund and commission person-centred programs and policy

In Australia, there are two primary ways to achieve person-centred programs and policy: individual NDIA funding to NDIS participants; and commissioning of disability employment services.

The NDIA provides eligible Australians with disability with individual funding for support services that are tailored to their needs. The NDIA sets prices for these support services, through their pricing guide, which indicates to NDIS participants how far their funding can go.

The NDIA can reflect the paradigm shift to open employment in their pricing guide by slowly removing reference to supported employment—employment such as ADEs created specifically to employ people with disability— and instead reference only open employment supports. This would require an initial shift in investment to increase levels of participation in open employment. This approach recognises that there is still a need to fund the existing ADE model for those workers currently in it but transitioning out of it, while also increasing investment to build the capability of people to enter open employment.

Government can also adopt commissioning principles when putting out tenders for disability employment services, by seeking services that are person-centred and address some of the shortcomings of ADEs. BSL has developed commissioning principles for the *Transition to Work* youth employment program with associated tools and resources for providers (BSL 2017). These can be broadly adapted to disability employment services:

- Requiring organisations that bid on contracts to demonstrate their capacity to engage employers and harness community resources that take into consideration local labour market contexts
- Redesigning commissioning to reward person-centred support that focuses on decent work opportunities
- Embedding mechanisms for purposeful, ongoing collaboration between providers, employers and government to ensure continuous improvement of support for jobseekers in open employment.

3. Establish an enabling and capability hub to promote open employment as best practice

In Australia there is a need to scale up skills, knowledge and capabilities across the employment ecosystem to support the participation of people with disability in open employment. This includes government agencies, employers and employment service providers. However, there is no 'go-to place' to find evidence-based practices and to develop capabilities, nor is there a mechanism for continual improvement of best or promising employment practice (Meadow 2019). To transition away from ADEs and increase open employment, organisations providing employment services need to be adequately resourced through training to understand the needs of young people with disability and employers and to be willing to work in partnership with education and training providers. Staff should be trained and supported to provide quality employment and transition support that meets the needs and aspirations of people with disability.

A national enabling and capability hub can promote best practice and develop capabilities. It would assemble and synthesise case studies, foster outreach with employers, develop data and evidence to support workforce development, and mobilise networks to maximise opportunities for employment of people with disability. The hub can centralise knowledge that is currently dispersed and fragmented between different providers, as well as provide a secondary consultation capability for government. Organisations like People with Disability Australia (PWDA) and the Disability Employment Service (DES) peak body Disability Employment Australia (DEA) have also called for national enabling and capability hubs (DEA 2021; PWDA 2022).

4. Improve community attitudes by adopting high expectations of workers with disability

Low community expectations of people with disability are internalised by families and carers, teachers, employers and others, and influence assumptions about people's capacities, aspirations and pathways from schooling to training and work (AHRC 2016). Low expectations contribute to a reluctance to employ people with disability, discriminatory behaviours during recruitment and negative workplace experiences for those who manage to find employment, including being socially isolated and denied opportunities for training and promotion.

In contrast, having parents and professionals hold high expectations for the future resulted in young adults developing a 'positive self-concept and motivation to develop and achieve goals' (Francis et al. 2018, p. 286). A US study found that family expectation for paid work was the most significant unique predictor of paid work. Those whose family expressed an expectation for paid work were 3.58 times more likely to be working for pay after leaving school (Carter et al. 2012).

Too often, young people with disability are channelled straight into ADEs from high school (AFDO 2018) without proper career exploration. A presumption of work capacity would ensure the cycle of economic segregation is prevented at the start of a young person with disability's career, and instead focus on what supports they need to work in an open employment setting and transition effectively from school to work. This presumption of work capacity is adopted in the *Ticket to Work* model, where employment placements happen only in open employment settings.

Many other countries have taken a similar approach and the concept of ‘open employment first’ has emerged: this is the idea that employment in open settings integrated within the community should be the priority service option, no matter the severity of the disability. The result has been development of a multitude of approaches pertaining to Employment First, including government legislation, policies, practice and research designed to increase integrated employment in the general workforce for citizens with disabilities (Wakeford & Waugh 2014). These initiatives are often directed at the transition from school stage, with employment treated as the first and preferred option when exploring goals for a young people with disability to have experiences and opportunities that are similar to other young people.

4 Conclusion

Much has been written about the harmful effects ADEs can have on people with disability, and promising transition pathways into open employment are possible in the Australian context. Open employment models can overcome some of the shortcomings of ADEs, but to achieve positive outcomes the Commonwealth Government needs to adopt a systemic approach to supporting open employment of people with disability.

Taking a systemic approach to supporting open employment requires the Commonwealth Government to: diversify its policy toolkit by investing in more demand and bridging interventions; work with organisations across the employment ecosystem to improve capability to support open employment; shift towards funding and commissioning person-centred employment supports; and work to overcome negative attitudes towards people with disability.

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