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Background

CoAct, as a national network of experienced not-for-profit Disability Employment Service (DES) providers, welcomes the Australian Government's focus on improving employment outcomes for people with disability. We note the Disability Royal Commission's (DRC's) final report included key recommendations on employment – notably Recommendations 7.30 (support the transition to inclusive employment), 7.31 (raise subminimum wages), and 7.32 (end segregated employment by 2034). In its July 2024 response, the Government accepted in principle the need to support a transition to inclusive, open employment, while deeming the proposals to raise subminimum wages and phase out segregated employment by 2034 as “subject to further consideration” pending consultation.

Supporting a Cautious Transition to Inclusive Employment

CoAct supports the vision of inclusive and open employment for people with disability as a long-term goal. We acknowledge that working in integrated settings for fair wages is a basic human right and consistent with Australia's obligations under the United Nations Convention on the Rights of Persons with Disabilities. In principle, we agree with Royal Commission Recommendation 7.30 and the call for a strategic plan to transition Australian Disability Enterprise (ADE) workers into open employment settings.

However, CoAct's support is cautious – it is critical that this transition is gradual, well-supported, and informed by the voices of people with disability and their families at every step. A rushed or poorly planned approach could risk unintended consequences, such as job losses or anxiety for those currently in supported employment. We emphasise the importance of preserving informed choice and control during the transition: individuals who have relied on ADEs must be given genuine opportunities in open employment without being worse off or left without suitable alternatives. This means maintaining appropriate safeguards (as recommended by the Royal Commission) so that people can continue in ADEs by choice with proper supports until inclusive options are successfully in place. ADEs themselves should also be measured on transitions to more progressive forms of employment, such as social enterprise, supported employment in open employment, or open employment.

CoAct's extensive frontline experience shows that with the right support model, many people with disability can thrive in open employment. The current DES framework is well-placed to support this transition, but only if reforms better integrate ADE pathways and social enterprises into mainstream employment services. At present, DES and ADEs often operate in silos, despite serving overlapping cohorts. A revised system must explicitly define the role of DES providers in transition planning and post-placement support for ADE workers entering the open labour market.

We urge the Government to work collaboratively with specialist providers, ADEs, and people with disability to co-design a detailed transition plan that expands inclusive job opportunities while protecting the wellbeing and aspirations of those with high support needs. CoAct also recommends that performance metrics for all ADE providers evolve to reflect a focus on sustained inclusive employment. Outcome measurement should incentivise long-term transitions from segregated settings, with additional weighting for working with individuals with higher support needs.

Maintaining Productivity Supports and Fair Wage Structures

A core concern in moving toward inclusive employment is how to ensure fair wages for workers with disability, while accounting for differing productivity levels and sustaining employer participation. CoAct strongly advocates that people with disability should receive equitable remuneration for their work. We recognise that the current supported employment model, under the Supported Employment Services Award, legally permits wages well below the general minimum wage based on assessed productivity. In practice, some ADE employees earn only a few dollars per hour – in some cases as little as 10–15% of the standard rate. This longstanding use of “subminimum wages” has

been justly criticised as incompatible with basic dignity and economic security. CoAct supports Recommendation 7.31's intent to raise the wages of supported employees so that they are more aligned with general award rates. All workers deserve a fair wage for their effort, and closing the gap in pay is essential to upholding the rights and social inclusion of people with disability.

At the same time, we caution that simply mandating full award wages overnight for all supported workers could undermine the viability of current supported employment enterprises and potentially reduce job opportunities for those with significantly reduced productivity. Likewise, where transition to supported employment inside social enterprise or open employment is set back, full support should continue to be available through staggered stages of employment. ADEs should be measured on improving productivity and therefore supported wage assessments for staff within their employment, along with transition to other forms of employment, allowing for continued progression and opportunity for entry.

Many ADEs and inclusive employers operate on thin margins and rely on wage assessment tools or subsidies to accommodate workers' support needs. CoAct therefore urges the Government to maintain, or establish, mechanisms that manage productivity deficits in a fair way. This could include preserving the existing Supported Wage System (SWS) in open employment or developing new "social wage" models whereby an employee's income is supplemented through a blend of wages and supports. For example, one approach proposed in the sector is a combination of contributions – where the employer pays a meaningful wage proportionate to the worker's output, and government or funders (through programmes like the NDIS or wage subsidies) contribute the remainder to ensure the individual receives (at least) a minimum or award-equivalent income. Any continued use of SWS assessments should be linked to a clear productivity development plan, potentially co-designed through the National Panel of Assessors, ensuring participants are supported to increase their capacity and transition to higher wages over time.

Additionally, CoAct highlights the role of on-the-job support workers and assistive technologies in boosting productivity. If a support worker (job coach or disability support professional) can be funded to assist an employee with disability at work, that employee's effective productivity may increase, benefiting both the worker and the employer. We encourage expansion of initiatives that fund such workplace supports (for instance, through NDIS employment supports or the new DES model's support provisions), where anecdotally employers are reporting increasing barriers to accessing modifications through JobAccess.

DES providers play a critical role in facilitating these supports through employer engagement, navigating workplace adjustments, and connecting jobseekers to appropriate funding sources. However, limited flexibility within DES programme funding often restricts the extent and duration of on-the-job support that providers can deliver. The new model launching in 2025 must embed and fund this type of tailored, long-term support as a core feature, particularly for participants transitioning from ADEs.

Another practical tool is the use of paid work trials and internships as pathways into open employment. CoAct's provider network has found that when employers can trial a person with disability in a role (with support and subsidies during the training period), it often leads to sustainable hires. We recommend formalising and incentivising paid work trial programmes, allowing individuals to demonstrate their abilities and employers to assess fit with reduced risk. The removal of the National Work Experience Programme in DES and Workforce Australia (WFA) created additional barriers to employment and reduced work experience opportunities for unemployed participants.

Overall, CoAct's position is that wage reforms must be coupled with innovative productivity strategies that link reforms through providers, employers and initiatives of Government at all stages, rather than the current broken, segmented system that seeks to ensure DES operates outside of, rather than alongside, other supported employment initiatives, such as ADEs. This fragmentation between the DES, NDIS, and ADE systems has created inconsistencies in participant experience and significant confusion for employers. For example, DES providers report challenges when employers are unaware of or unable to access workplace modifications due to JobAccess

complexity or slow processing times. A unified support model would streamline access to modifications and allow DES providers to coordinate supports more effectively, enhancing placement and retention outcomes.

We seek a balanced outcome where workers with disability enjoy fair, improved wages, but employers remain willing and supported to hire them. This balance may be achieved through continued supported wage agreements (reformed to be more generous and uniform), targeted wage subsidies, tax incentives for inclusive hiring, and sector-wide assistance for ADEs to transform their business models. CoAct commits to working with government and industry on refining wage-setting frameworks so that they are both just for employees and sustainable for employers.

Ending Segregated Employment by 2034: Roadmap and Safeguards

The Royal Commission's Recommendation 7.32 calls for an end to segregated employment settings (such as ADEs) by 2034, effectively envisioning that within the next decade all employment for people with disability should be open and inclusive. CoAct acknowledges the human rights rationale behind this recommendation – segregated workplaces were identified as sites of higher risk of abuse and lower expectations, and moving beyond that model aligns with a more inclusive society. We support, in principle, a long-term phase-out of segregated employment, provided it is executed via a thoughtful and well-supported transition plan. Consistent with the Government's cautious approach, we believe 2034 should remain an aspirational target rather than an inflexible deadline, with progress evaluated along the way to ensure no individuals are left without meaningful work or support.

A comprehensive roadmap is needed to transform or transition the ADE sector. CoAct endorses developing a clear timeline with milestones – for example, progressively increasing wage benchmarks and inclusion standards in ADEs, while concurrently expanding capacity in open employment programmes to absorb current ADE workers. Crucially, this roadmap must directly address the substantial barriers faced by people with high support needs in open employment. Many current ADE employees have moderate to severe intellectual or developmental disabilities and may require intensive ongoing supports to succeed in a mainstream workplace. The “train and place” approach often used in sheltered workshops will need to shift to a “place and train” approach with on-site coaching and long-term support in open jobs.

The transition plan should thus include differentiated service pathways: not every person will move into open employment at the same pace or in the same way. NDIS is quickly becoming one solution however, group servicing rates fail to consider provider overheads, quality and innovation and prevent providers from delivering an ongoing quality of service that presents a cost-effective solution to government. Some individuals might move directly into open employment with minimal supports, while others might benefit from intermediate steps such as social enterprises, enclaves, or working in small teams supported by a disability support worker. We support the development of specialised open employment pathways for those with the highest support needs, potentially including “high support” employment programmes or augmenting DES services with extra features for this cohort.

CoAct also stresses the importance of safeguards during the transition period. Until 2034 (or whenever segregated services are fully phased out), those workers who choose to remain in ADEs should do so under improved conditions – with stronger workplace protections, higher minimum wages as interim steps, and regular audits to ensure safety and quality. Their continued employment should be by free and informed choice with robust safeguards, as recommended by commissioners in supporting the transition plan.

Parallel efforts should focus on building the confidence and skills of ADE workers to enter open employment over time. This could involve funded training programmes, on-site work experience in mainstream businesses, and peer mentoring by people with disability who have made the transition. Employers in the general labour market will also need preparation and support; CoAct recommends outreach and education for employers (especially in industries

and regions likely to employ former ADE workers) to tackle stigma and highlight the business benefits of inclusive hiring.

In summary, CoAct agrees that segregated employment should be phased out in favour of inclusive jobs, but we emphasise doing so through a planned, gradual, and resource-backed transition integrating the NDIS, social enterprise and DES. We echo the concerns of many service providers and families that an abrupt closure of ADEs without alternatives would be harmful. The process must ensure that the most vulnerable workers are not left behind. With a proper roadmap that includes investment in supports and a stepwise approach, Australia can reach 2034 with a transformed employment landscape that offers genuine opportunities for all people with disability.

Aligning Employment and the Disability Support Pension

A critical factor influencing the success of inclusive employment initiatives is the interface between earned income and the Disability Support Pension (DSP). CoAct consistently hears from jobseekers with disability that fear of losing DSP benefits or related concessions creates a powerful disincentive to work or to increase work hours. Under current settings, as a person earns above certain thresholds, their DSP payment is reduced and can eventually cease – which poses a risk if the person’s employment is not secure or if their disability-related costs are high.

We commend the acknowledgment in Recommendation 7.28 and the Government’s response that more information and guidance is needed for individuals to understand how wages interact with DSP entitlements. Providing financial counselling and calculators so people can see the impact of work on their overall income is a good first step. The new Disability Employment Advocacy and Information Programme is noted as a mechanism to improve such information and build confidence.

However, CoAct believes that information alone is not enough – a coordinated policy review is needed to ensure the DSP system actively supports workforce participation rather than deterring it. We call on the Government to initiate a review of DSP income support rules in parallel with the supported employment reforms. This review should examine options such as: more generous income thresholds and taper rates, allowing people who exit DSP for work to more easily requalify or suspend/reactivate their DSP if the job doesn’t work out, and ensuring that essential ancillary benefits (like healthcare cards or mobility allowances) are not abruptly lost when someone gains employment.

The goal must be to eliminate the current ‘income insecurity’ that many people with disability associate with employment. No one should have to choose between earning a wage and retaining the financial stability and supports that a pension provides. As such, reforming DSP should not be viewed as ancillary to supported employment reform – it must be a parallel and integrated policy stream. DES and NDIS planners should be equipped with tools to help individuals simulate financial outcomes under different work scenarios and facilitate safe transitions through coordinated cross-programme referrals.

From CoAct’s perspective, aligning DSP settings with employment could significantly increase the number of people willing to attempt open employment. International evidence and our own experience suggest many individuals on long-term benefits can and want to work in some capacity if they feel assured that doing so will improve – not jeopardise – their financial situation. We therefore urge a whole-of-government approach where employment policy and social security policy are coordinated. By creating a ‘safety net with opportunity’, Australia can unlock greater workforce participation and improve quality of life for thousands of individuals.

Building a Cohesive Disability Employment Ecosystem

CoAct strongly supports the notion, highlighted in the discussion paper and by peak bodies such as Disability Employment Australia (DEA), of fostering a cohesive disability employment ecosystem. The challenges and solutions in disability employment span multiple programmes and stakeholders – including the new specialist disability employment programme (Inclusive Employment Australia, launching 2025), the NDIS and its employment supports, mainstream employment services, ADEs/social enterprises, employers large and small, and advocacy organisations. To achieve lasting, person-centred outcomes, these components must function in a coordinated and complementary way rather than in isolation.

For example, DES providers could serve as the ‘glue’ between the NDIS, ADEs, and employers – provided they are empowered through the new programme design to deliver a broader scope of services. This would include authority to coordinate workplace modifications, access allied health, and deliver long-term in-work support in partnership with NDIS-funded services.

DEA’s emphasis on system cohesion is strongly aligned with CoAct’s position. However, the current DES performance framework still leans heavily on short-term job outcomes, which can distort servicing priorities. A cohesive ecosystem should include a unified, human-centred outcomes framework shared across all programmes – measuring inclusion, sustainability, and progression, rather than program-by-program outputs.

As a leading network of disability employment providers, CoAct is dedicated to achieving long-term, person-centred employment outcomes for people with disability. In responding to the Next Steps in Supported Employment discussion paper, we have outlined our cautious support for the reforms inspired by the Disability Royal Commission. We support transitioning to inclusive, open employment settings and ultimately ending the reliance on segregated models, but we insist this be done through meticulous planning and with robust safeguards, so no participant is left behind.

Sources

- Australian Department of Social Services – Next Steps in Supported Employment: Discussion Paper
- Australian Government Response to DRC Final Report (Inclusive Employment recommendations)
- ABC News – Australian Disability Enterprises can pay workers a fraction of the minimum wage (28 Sept 2024)
- Inclusion Australia – Wage equity and more choices in employment (2022 research brief)
- Team DSC – DRC Consultation Outcomes Summary (2024)
- Disability Employment Australia – Response to DRC Final Report (2024)
- DRC Final Report Volume 7b – Inclusive Employment (2023)