EXPLAINING THE EVIDENCE FOR REFORM SERIES

THE ADE SNAPSHOT

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HEADLINES

- ADEs create employment for approximately 16,000 people with disability in Australia.
- They have been the main employment setting for people requiring significant supports and customisation in employment.
- Pro rata wages have been an area of long standing critique and tension as these are seen as fundamental to the business model by the sector.
- The cessation of the DSS funded 'Australian Disability Enterprise Services' in 2021, and the new funding arrangements under NDIS, have potential to change the ADE model.
- Some ADEs now offer integrated work settings or workforces, and pathways to employment beyond ADEs.
- Transition to employment out of ADEs remains extremely low.
- The lack of available data means there is little knowledge about the barriers to desegregation, fair wages, financial sustainability and employment pathways for ADEs.

SUPPORTING THOSE WITH SIGNIFICANT DISABILITY TO GAIN AND MAINTAIN EMPLOYMENT

In 2017, the Commonwealth of Australia reiterated its commitments, consistent with its obligations under the Convention on the Rights of Persons with Disabilities (CRPD), to address the significant employment gap for people with significant disability:

> in 2015 …. only 25 per cent of people with a profound or severe core activity limitation were active participants in the labour market. This means that over a million Australians of working age with disability were outside the workforce and there is significant scope to support more people with disability into employment … DSS estimates around 237,000 Disability Support Pension (DSP) recipients of working age may be eligible for employment assistance, and are not participating in employment, education or an employment assistance program (DSS, 2017, p. 6).

It is in this context of significant employment exclusion that supported employment in Australia is explored in this paper.

HISTORY OF SUPPORTED EMPLOYMENT IN AUSTRALIA

'SHELTERED WORKSHOPS' IN THE 1960'S TO 70'S

According to Cheng et al. (2018), sheltered workshops were originally developed in the 1950s by families to offer employment for people with intellectual disability. In 1967, the Commonwealth government commenced funding of them, continuing in the 1970s with the funding of work preparation centres to provide vocational training for school leavers with intellectual disability.

However, critique of sheltered workshops emerged through the 1970s and 1980s alongside a growing international inclusion movement.

‘SUPPORTED EMPLOYMENT SERVICES’ ESTABLISHED IN 1980s

In 1986, the *Disability Services Act* (Commonwealth of Australia, 1987) established two broad types of employment services, open and supported employment services, essentially enshrining a bifurcated model where only some people with disability were supported into open employment. Within the Act, ‘supported employment services’ were for those people who are ‘unlikely’ to gain competitive employment at or above the award wage and ‘need substantial ongoing support to obtain or retain paid employment’ (Commonwealth of Australia, 1987, Part 11, Div 1, 7.) (see Paper 1). As described by DSS (2017), ‘supported employment’ has referred to both ‘different *employment settings* and *employment supports* available to people with disability to enable them to participate in work, or to build capacity for work’ (p. 6, italics added). Across this period, supported employment services were known as ‘disability business services’ or ‘business enterprises’.

SUPPORTED EMPLOYMENT IN THE EARLY 2000s

Until recently, supported employment services have been predominantly provided via ‘sheltered workshops, enclaves or work crews’ (Cheng et al., 2018, p. 318).

In 2005/6 there were 397 supported employment outlets across Australia (FaCSIA, 2007). Roughly half of these were located in major cities.

Between 2005 and 2010, the number of supported employment service users fluctuated between 21-23,000. Approximately 70% of these had an intellectual disability, 2% were Indigenous, and most service users (around 65%) were male. Around 30% worked full time hours (See Appendix 1 for details of data 2005/6 -2009/10).

Data has been patchy since 2010, with limited user data reported publicly and detailed data on the scale and characteristics of supported employment services unavailable after the *Australian Government Disability Services Census* ceased. When the Disability Services National Minimum Data Set ceased in 2019 (Productivity Commission, 2021), national data collection and publication on supported employment services have become unavailable.

SUPPORTED EMPLOYMENT AND SUPPORTED WAGE

As discussed in Paper 1, pro rata or productivity based wages have been a feature of the supported employment sector, though have been used in open employment also (being initiated in the open employment sector in the 1990s [Health Outcomes International, 2001]). To determine the amount of wages paid, assessments of competency or productivity are undertaken, using one of many assessment methodologies.

There has been ongoing critique about the low hourly rates paid, and tension between what the supported employment services see as commercial imperatives requiring pro rata wages (reflecting productivity losses and higher costs of support) versus calls for fair or equal wages. An early review of pro rata wages in the sector in 2001 noted largely arbitrary and historical processes used in supported employment settings, identifying that ‘the financial viability of Business Services is the main determinant of wage levels’ (Health Outcomes International, 2001, p. vi). Even at this time, critique focused on the need for fair and appropriate wages. This was echoed, in 2008, when the then Minister, Bill Shorten, emphasised supported employment settings as offering ‘the same conditions as any other workplace, including the payment of fair wages’ (Shorten, 2008).

In 2012, the Federal Court judged that one wage assessment tool - the Business Service Wages Assessment Tool (BSWAT) - was discriminatory against two workers with intellectual disability under the *Disability Discrimination Act 1992*. The BSWAT was the most used wage assessment tool by the supported employment sector until then and was abandoned from 2015. The decision from the Federal Court required the Government and the supported employment sector to consider future wage setting arrangements and several national scale research projects were commissioned by the Government and a peak body to look into business models and business viability of ADEs (e.g., ConNetica, 2013; KPMG, 2015). These studies have confirmed, as found in 2001, that while supported employment services desired

> to pay the highest wages possible to their employees, but most recognised that increasing wage costs would significantly influence financial viability of the organisation (Health Outcomes International, 2001, p. 17).

Similarly, the KPMG (2015) report found a 'direct relationship between supported employee wage costs and organisational profitability' (p. 2).

'AUSTRALIAN DISABILITY ENTERPRISES' AND THE VISION FOR SUPPORTED EMPLOYMENT

In 2008, supported employment services were badged Australian Disability Enterprises (ADEs) and funded by the Commonwealth government (FaCSIA then DSS) (Shorten, 2008).

In 2012, the Commonwealth government outlined an agenda for change of ADEs: *Inclusive Employment 2012-2022. A vision for supported employment* (Department of Families, Housing, Community Services and Indigenous Affairs [FaHCSIA], n.d.). In this, it was envisaged that the forthcoming decade of change, driven by the CRPD and the National Disability Insurance Scheme (NDIS), would generate an ADE sector characterised by being an employer of choice as well as offering employment supports that people with disability would choose to purchase (with NDIS funding). In 2012, the vision for the future was articulated as:

> In 2022, Australian Disability Enterprises will look different to what they do today. Organisations will have adapted to a new environment, where people with disability choose where they work, who provides their employment support, and how. Australian Disability Enterprises will have changed the way they operate, and the supports they offer, to attract people with disability as purchasers of employment support from their organisation (FaHCSIA, n.d., p. 4).

In 2012, the Commonwealth government envisaged a future for supported employment services as 'specialised organisations' where such specialised supports were able to 'deliver mainstream inclusion wherever possible' (FaHCSIA, n.d., p. 4. & p. 6).

There were 194 not for profit organisations operating ADEs in 2013, employing about 20,000 people among whom most had an intellectual disability (FaHCSIA, 2013).

The ADE model was reiterated in 2017, focusing on the characteristics of work-focused social enterprise, where the majority of the workforce was people with disability:

> Supported employment generally refers to employment in enterprises that have as their primary purpose employment of people with disability, and where the majority of employees have disability. There are often mixed industries within enterprises to cater for their employees, and there are higher levels of job customisation (DSS, 2017, p. 7).

Supported employment in ADEs was characterised by high levels of customisation and support:

> ADEs create employment opportunities through designing jobs around the individual abilities of people with disability. ADEs provide significant workplace modifications to accommodate the abilities of their workforce ... A supported employee will often receive daily access to employment and personal care supports by support staff embedded within (and employed by) the ADE. This allows for a greater intensity and frequency of support than can be provided to individuals (DSS, 2017, p. 16).

This vision articulated a threefold focus for ADEs:

1. the creation of jobs via government funding and commercial activities
2. the provision of a high level of employment supports, including job customisation, within these training-integrated workplaces
3. enabling either ongoing work in the ADE or transition into open employment (DSS, 2017).

In this context, government funding has subsidised the additional costs of making this level of adjustments and providing significant supports to enable the employment of people with significant, or 'moderate to severe' disability (DSS, 2017, p. 16).

ADEs TRANSITION TO THE NDIS

More operationally, in 2017, the Department of Social Services proposed a range of 'reform' directions for ADEs to change their operational parameters, in the context of NDIS. These included:

- creating labour hire arrangements where groups of supported employees are placed in open employment businesses
- leveraging social procurement
- offering non-employment services as a NDIS provider
- specialising as employment support providers working to support employees in open employment
- business closure (DSS, 2017).

Between 2015/16 and 2019/20 the Commonwealth government provided $1.3 billion in funding to supported employment (DSS, 2017). In the same period, over $180 million was provided through transitional funding support to assist the supported employment sector to adjust to higher wages and conduct business planning in preparation and transition to the NDIS. In 2017, the average cost of employment support from the Commonwealth Government per supported employee was $11,800 with an additional $2,500 for transitional support (DSS, 2017).

Today, the National Disability Insurance Agency (NDIA, 2020) defines an ADE as:

> generally not-for-profit organisations that provide employment for people with moderate to severe disability who need significant support to work. ADEs provide a wide range of employment opportunities including packaging, assembly, production, recycling, screen printing, plant nursery, garden maintenance and landscaping, cleaning services, laundry services and food services (NDIA, 2020, p. 4).

There were over 14,000 NDIS participants working in ADEs by the end of 2020 (NDIA, 2020). See Appendix 2 for details of data 2009 – 2019.

NEW FUNDING MODEL INTRODUCED BY NDIS EXPANDING PROVIDERS OF EMPLOYMENT SUPPORTS BEYOND ADEs

Funding arrangements for ADEs have been changing since the advent of the National Disability Insurance Scheme (NDIS). Funding has shifted from 'case-based funding' (for a capped number of employees) made to ADEs (DSS, 2017), to individualised funding to purchase employment supports within the funding packages of NDIS participants (in this context, ADE employees).

In 2017, the Department of Social Services anticipated that, by full Scheme, the number of people receiving employment supports in their plan would 'grow significantly beyond the existing cohort of 20,000 supported employees' (DSS, 2017, p. 5). DSS also saw this an opportunity for 'market expansion' for ADEs, who would be 'well positioned to attract more employees' (DSS, 2017, p. 11) though there would also be 'stronger pathways' between open and supported employment (DSS, 2017, p. 17):

> Some businesses may choose to explore the provision of more seamless service transition between supported and open employment, as a person's capacity to work improves (DSS, 2017, p. 18).

The latest NDIS pricing arrangements have articulated that supports traditionally provided by ADEs can be purchased from a wider range of employment providers and for different employment settings:

> While some participants, with supports offered through DES or employer reasonable adjustment, will successfully maintain work, others will need higher intensity, often daily, support delivered in the workplace to maintain employment. These supports have typically been available in an Australian Disability Enterprise. They can also be used in a range of employment settings including: private, government or not for profit organisations; a social enterprise or similar environment; self-employment or a micro-business; or a family run business (NDIA, 2022, pp. 61-62).

These changes to the way employment supports are funded by NDIS have enabled participants to utilise 'supports in employment' funding in services other than ADEs, and the NDIS has emphasised this opportunity for individuals to select supports and the type of employment outcome they seek. Currently, funded employment supports are available within the NDIS in both Core and Capacity Building areas of plans, but confusion remains among providers, planners and individuals about the parameters and focus of each (as identified in Centre for Social Impact (CSI) research with stakeholders, see Paper 5). In particular, there are concerns about different pricing levels for similar employment support activities funded in Core or Capacity Building, or in Supported Employment settings (ADEs) vs Open Employment settings. There are also concerns that NDIS employment funding does not cover all the employment support necessary to create or attain and retain employment, including capacity building and support to employers, and ongoing capacity building for employees with disability (see Paper 5).

In this context of change, the 'market' of employment support providers within the NDIS is yet to fully emerge. In 2017, the DSS anticipated that this would take 10 years to evolve (DSS, 2017).

Previously under the case-base funding, ADEs operated with capped places. It was envisaged that under the NDIS funding model supported employment places will no longer be capped and there will be increased employment opportunities for both businesses and participants, with new providers to offer employment and employment supports (DSS, 2017).

THE CHANGING LANDSCAPE

The Australian Disability Enterprise Services formally ceased operation as a DSS program on 31 March 2021 (Productivity Commission, 2021), which then enabled ADE organisations to identify new denominations for their organisational entities and activities. In this context, over recent years, some former ADEs have been evolving their organisational and business models, with some seeking formal certification as Social Enterprises (i.e. 'Social Traders Certified Social Enterprise'), others using the term 'social enterprise' but without formal certification, and others using different nomenclature, such as 'business enterprises'. Encompassed in this evolution has been an expansion of the beneficiary groups targeted (for example, some organisations have expanded to include a focus on marginalised groups without disability), and of operational activities for some, but not all, former ADEs.

In this changing landscape, it is difficult to distinguish these organisational types and identify those included in what was formerly the ADE sector. To some extent, it is the historical funding arrangements that define the cluster of former ADE organisations.

GLOSSARY OF TERMS

Given the changing landscape of ADEs/supported employment organisations, and the lack of official data sources utilising common terminology, a glossary of terms has been created below.

Table 1: Glossary of terms

ADE outlet	This is the enterprise level unit used for ADEs. Usually this is site specific, but some ADEs may operate across multiple sites or operate multiple, distinct commercial enterprises on a single site. When ADE statistics are collected/reported, unless it is otherwise specified, data is at the outlet level.
ADE provider	Host organisation (usually, but not always, a disability service provider) that is the overarching organisational entity usually offering a level of core administrative functions, such as payroll, insurance etc. Frequently this organisation offers a range of disability services and is an NDIS registered provider. Multiple ADE commercial enterprise types and/or enterprise sites may operate under the ADE provider organisation umbrella.
ADE sector	The sector of provider organisations and outlets that have previously been funded under Australian Disability Enterprise Services funding, prior to its cessation. It is noted that new terminology will be needed in future to encompass the shape of a sector that includes new entrants and the exit/closure of previously included organisations.
Certified Social Enterprise	Launched in 2018, Social Traders provides the only social enterprise certification in Australia. The certification criteria require that a social enterprise exists to create impact through trade by: 'having a defined primary social, cultural or environmental purpose consistent with a public or community benefit; deriving a substantial portion of income from trade; investing efforts and resources into their purpose such that public/community benefit outweighs private benefit' (Social Traders, n.d.).

Integrated workforce	An integrated workforce consists of not only people with disability but also people without disability.
Open employment	(For the purpose of DSP) Open employment is employment in the open labour market, and at relevant minimum wages or above.
Pro rata wage	A form of productivity-based wage where the level of assessed productivity and/or competence is correlated with payment of a pro rata proportion of a full wage. There are 22 wage assessment tools approved under the Supported Employment Services Award 2020. (Not all supported employees within ADEs will receive a pro rata wage, some will receive full Award wages.).
Supported employee workforce	All employees with disability who receive employment supports (of any funding type) from an ADE to support their employment within the ADE. (Some/most may also be receiving some form of pro rata wage.).

WHAT DOES THE ADE SECTOR LOOK LIKE NOW?

DATA FOR A NATIONAL SCAN OF THE SECTOR

Limited data is available to piece together a current picture of the supported employment/ADE sector. There is currently no national data provided by the Government on supported employment outlets/ADEs. Limited data on service users working in ADEs were published in the annual Report on Government Services (RoGs) by the Productivity Commission, but recent data has been incomplete due to NDIS transition arrangements[1].

To develop a current snapshot of the ADE sector we have drawn on:

- Buyability ADE Directory data (October 2022), collected by National Disability Services and made available on a national website and analysed by CSI as part of this report. This dataset provides information at both organisational (ADE provider) and outlet (enterprise) level, and the enterprises listed used to be in the Australian Disability Enterprise Service program under DSS.
- Data from a national survey of ADEs distributed by FaHCSIA (ConNectica, 2013). This survey collected responses from 139 organisations out of 194 organisations running ADEs (often with multiple outlets), representing 71% of the ADE sector at that time.
- Data from a national survey of ADE providers distributed by National Disability Services (KPMG, 2015). The survey collected responses from 85 organisations operating ADEs and employing over 11,000 supported employees.
- Data from a national survey of ADEs distributed by National Disability Services, called the Vision Survey 2020-21. This data captures only 71 organisations.
- Data from the NDIA in relation to scheme participants using ADEs (NDIA, 2019a, 2019b, 2020).

[1] DSS was reported as starting to collect annual data on a range of disability services funded by DSS including supported employment services/ADEs, since 2018. However, this data feeds into the RoGs and no data is available on the DSS website. The RoGS published in 2021 has data on 'Users of supported employment services/ADEs aged 15-64 years (by sex); from 2010 to 2019' (Table 15A.58). However, NDIS roll out affects data in the later years of this data set. See Appendix 2.

In addition, CSI has conducted a desktop study of ADE organisations and outlets identified by the Buyability Directory (November 2022) to update and expand this information (see Appendix 3 for detailed methodology).

No single data source provides an adequate capture of the characteristics of ADEs currently and, even collectively, many gaps in data remain.

SUMMARY OF THE SECTOR IN 2022

ADE organisations and outlets

Overall, there are currently 477 ADEs in operation (at outlet level), among which 110 are Certified Social Enterprises by Social Traders. These ADEs are run by 147 ADE providers. Data shows that while the number of ADEs and ADE providers have declined in comparison to ten years ago, the scale of the ADE providers might have increased when measured by the number of ADE outlets operated per ADE provider and the average number of supported employees in each organisation (Table 2).

Figure 1: ADEs and ADE Providers, 2013 vs 2022

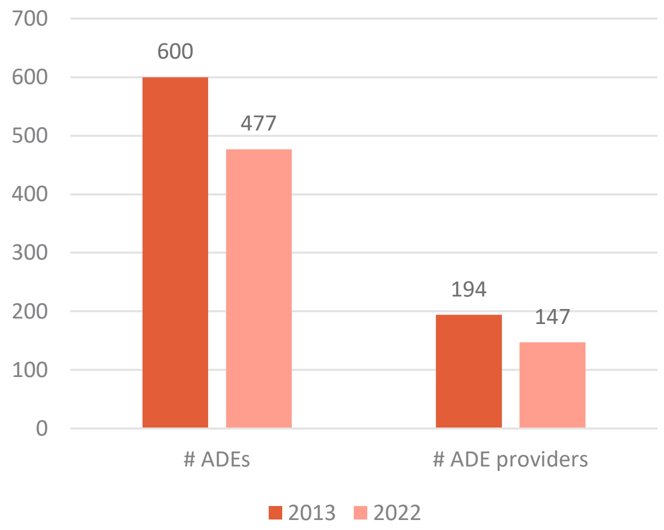

Table 2 highlights that, currently, somewhat more than half (60%) of organisations run more than 1 ADE outlet. Around half have less than 50 supported employees across the ADE provider (across outlets) and almost two thirds of ADE providers have less than 100. The vast majority of ADEs are located in NSW and Victoria. In 2013 and 2015, a bit less than half of ADEs were considered profit making (ConNetica, 2013; KPMG, 2015).

Table 2: ADE organisation and outlet characteristics

	2013 (and other before 2020)	**2022**
# ADEs	600 Source: 2 • 54% indicated they formed part of a larger organisation, • 41% not linked to larger organisations Source: 7	477 Source: 1
# ADE providers, i.e. Organisations Running ADEs	194 Source: 2	147 Source: 1
# ADEs as certified social enterprise by Social Traders		110 Source 1, 3
ADE scale	Each ADE provider ran 2.7 ADEs on average • 46% operate only one ADE, • 12% operate more than 5 ADEs Source: 2	Each ADE provider runs 3.2 ADEs on average • 40% operate only one ADE, • 24% operate 5 ADEs or more, • 16% operate more than 5 ADEs Source: 1
Workforce Composition	On average: • 77% supported employees, • 23% other employees Source 2	
Size of Supported employee workforce	An average 100 supported employees in each ADE provider # (number) supported employees across ADEs in the ADE provider • 58% have less than 20, • 44% had less than 50, • 75% had less than 100, • 2% had 200 or more 1 in two had less than 50 supported employees across the ADE provider Source: 2	An average 111 supported employees in each ADE provider # (number) supported employees across ADEs in the ADE provider • 24% have less than 20, • 49% have less than 50, • 68% have less than 100, • 14% have 200 or more Source: 1
# ADEs by State		NSW: 189 VIC: 136 QLD: 42 WA: 29 SA: 59 TAS: 13 ACT: 4 NT: 4 Source: 1

Remoteness Area of Supported Employment Services (ADEs)	• 46% in major cities, • 51% in regional areas, • 2% in remote areas Source: 4	
Age of Organisations	Most ADE providers had been in operation for at least 20 years, 1 in two ADE provider had operated for over 40 years Source: 2	
Types of Goods and Services Offered by ADEs	Landscaping, Gardening & Horticulture (18%) Packaging & Repackaging (16%) Light Manufacturing (14%) Cleaning & Recycling (11%) Food & Hospitality (8%) Mail & Document Management (5%) Laundry (5%) Other (9%) Source: 2	
Enterprise Profitability	• 44% considered profitable, • 32% unprofitable, • 24% ‘too close to call’ Source: 2 • 42% profit making, which hired 56% of supported employees, • 56% loss making, which hired 41% of supported employees Source: 7	
% Income from Commercial Activities	• 16% earned 30% or less of total income from commercial activities, • 28% had commercial income between 31-50% of total income, • 43% earned between 51-80% of total income from commercial activities, • 13% earned more than 81% from commercial activities Source: 2	
Income Scale	• 62% earned less than $10 million, • 1 in three earned less than $2 million Source: 2	

Expenditure Scale	• Level of expenditure: • 12% spent over $10M • 28% spent between $1-$2M • 12% spent between $0 and $0.5M Source: 7	

Sources:

1. BuyAbility and desktop review. Dated as: Nov 2022
2. ConNetica (2013). Dated as: 2013
3. Social Enterprise Finder (national directory of Certified Social Enterprises, by Social Traders). Dated as: Nov 2022
4. Australian Disability Services, 2009-10 (DSS, 2014b). Dated as: 2010
5. NDIA (2020)
6. DSS (2017)
7. KPMG (2015) Dates as: 2014/15.

Supported employee characteristics in ADEs

There remain approximately 16,000 supported employees in the ADE sector in 2022. Most (a bit less than half) work 15-30 hours, with a small percentage (3-5%) working less than 8 hours (NDIA, 2020). This low proportion of very few hours per week, and the high proportion of those working over 30 hours per week (23-31%) speaks to the higher levels of work hours that supported employees work within ADE settings, possibly aided by different DSP conditions when working in an ADE. The NDIA reports that around 34% of Scheme participants with a paid job (on entry) are working in ADEs, and slightly more participants move into ADEs each year than move out of them into open employment (NDIA, 2020). NDIA data suggests that of participants working in ADEs, around 70% of those aged 25 and over have an intellectual disability as well as 45% of 15-24 year-olds (NDIA, 2020). ADEs are also targeting beneficiary groups without disabilities including a range of disadvantaged groups such as migrants, refugees, or asylum seekers.

Table 3: Supported employee characteristics

	2013 (and other before 2020)	**2022**
Total number of supported employees	Approximately 19,000 Source: 2	Approximately 16,000 16,256 Source: 1
Total # NDIS participants in ADEs		14,247 as at 31 Dec 2020 Source: 5
Total % NDIS participants (with paid job) in ADE		34% of NDIS participants with a paid job (on entry) are in ADEs Source: 5
NDIS participants in ADEs by age and cohort		15-24 year-olds (who are NDIS participants in ADE) as at 31 Dec 2020 • 45% have Intellectual disability • 53% have Down syndrome* 25+ year olds (who are NDIS participants in ADE) as at 31 Dec 2020

		• 36% of those with work on entry to NDIS are in ADE. Of these: • 71% have Intellectual disability • 72% have Down syndrome* *Includes double counting where individuals report both Source: 5
% NDIS Participants Working in ADEs Receiving the DSP		96% Source: 5
Average Age of Supported Employees	41 Source: 6	
Beneficiary groups (employees)		• People with disability • Disadvantaged men and women • People with mental illness • Young people • People experiencing family violence • Long term unemployed • Mature aged unemployed • Migrants, refugees, or asylum seekers Source: 1
Average Hours Worked by Supported Employees	23 hours per week Source: 6	
Weekly hours worked by supported employees in ADEs	Median hours: 20-24 hours/week Source: 7	Weekly hours worked by NDIS participants in ADEs Participants in an ADE aged between 15-24: • 0-8 hours: 5% • 8-15 hours: 28% • 15-30 hours: 45% • 30+ hours: 23% Participants in an ADE aged 25 and over: • 0-8 hours: 3% • 8-15 hours: 22% • 15-30 hours: 44% • 30+ hours: 31% People with intellectual disability are the most likely of all cohorts to work more than 30 hours per week. Source: 5
Wage Earned by Supported Employees	The average weekly wage was $121.72 The average hourly rate was $5.61, ranging from $1.00 per hour to full award wage Source: 6	

<table>
<tr>
<td>Employment Status and Transitions (after 1 year of NDIS participation)</td>
<td></td>
<td>Movement between ADEs and open employment (at year 1)
(This data compares employment status on entry to scheme and at end of year 1)
<table>
<tr><th colspan="2">Employment Status</th><th colspan="2">Age cohort</th></tr>
<tr><th>On entry</th><th>End of Year 1</th><th>15-24 years</th><th>25+ years</th></tr>
<tr><td>ADE →</td><td>Open Employment</td><td>4%</td><td>1%</td></tr>
<tr><td>Open employment →</td><td>ADE</td><td>3%</td><td>3%</td></tr>
<tr><td>No job but seeking work →</td><td>ADE</td><td>2%</td><td>1%</td></tr>
</table>
Source: 5</td>
</tr>
</table>

Source:

1. BuyAbility and desktop review. Dated as: Nov 2022
2. ConNetica (2013). Dated as: 2013
3. Social Enterprise Finder (national directory of Certified Social Enterprises, by Social Traders). Dated as: Nov 2022
4. Australian Disability Services, 2009-10 (DSS, 2014b). Dated as: 2010
5. NDIA (2020)
6. DSS (2017)
7. KPMG (2015) Dates as: 2014/15.

Provision of other community/disability support

Based on NDIS provider information, 34 service areas out of 36 areas are offered by ADE providers. While all ADE providers offer 'specialised supported employment', most also offer 'Assistance to access and maintain employment or higher education'. Some organisations mention supports or services to create opportunities in open employment, although very limited information for detailed offering is provided through the websites. Where some information is available, the work is mostly focused on skills building through training programs, except one organisation that highlights mentoring support and post-placement support to assist transition to open employment.

In addition, the following service areas are provided by more than half of the ADE providers:

- high intensity daily personal activities,
- participation in community, social and civic activities,
- group and centre based activities,
- therapeutic support,
- daily personal activities,
- assistance with daily life tasks in a group or shared living arrangement,
- assistance with travel/transport arrangements,
- household tasks,
- assistance in coordinating or managing life stages/transitions and supports,
- development of daily living and life skills.

A small proportion (25%) have access to behaviour support planning within their ADE provider organisation, and a handful have access to other potentially employment-supporting services such as specialised driver training or vehicle modification.

There is potential to consider to what extent the nesting of ADEs alongside other services within a wider service organisation offers potential to lever in additional supports and services to mediate barriers to employment (Paper 2). For example, more purposeful development of community networks and social capital is a key aspect of customised employment as a mechanism to build in relationships and interests to unlock work opportunities. However, there is no evidence available to identify whether the presence of other NDIS services within the ADE provider organisation is of benefit to supported employees or contributes to capacity building toward employment.

<u>Organisational identity</u>

Of the 147 ADE providers, 63 (43%) providers still clearly identify their business as an ADE, while 35 (24%) have taken up the 'social enterprise' badge, with three organisations referring to themselves as both ADEs and social enterprises on their websites.

<u>Community-facing elements of ADEs</u>

ADEs are active in a diverse range of industries and undertake work both on the ADE business premises as well as onsite in other businesses or in community. Examples include commercial property maintenance undertaken on the grounds of other businesses; household garden maintenance; mobile document shredding that visits businesses; mobile work crews that can be deployed to a business setting to undertake specific tasks; e-waste pick up; commercial cleaning; arts and performance.

Many ADEs also have retail enterprises directly engaging with the community. Retail activities include cafes and food, second hand/recycled goods, costume hire, horticulture, and pottery, among others.

In addition, a wide range of work is undertaken within the ADE premises, with a predominance of packaging and manufacturing.

Some ADEs also offer an integrated workforce comprised of people with and without disability. For example, Outlook Victoria (now a social enterprise) aims to employ from a set of 'priority employment groups' and one outlet/enterprise has a diverse workforce including people with disability (4%), mature age workers (33%), long term unemployed (33%), young people and people with experience of family violence (9%), migrants, refugees and asylum seekers (21%) (https://www.outlookaust.org.au/melton-case-study).

THE SOCIAL ENTERPRISE SECTOR

In Australia, social enterprises are defined by three key features: being led by a social mission that creates public or community benefit; deriving a majority of income from trade; and re-investing the majority of profit or surplus to social mission (Barraket et al., 2016). Employment-focused social enterprises are a type of social enterprise where the social mission focuses on creating employment or employment pathways for people at risk of exclusion from the mainstream labour market, or facing barriers entering mainstream employment (Kong et al., 2018).

There are two main types of employment-focused social enterprises. The first, often called 'intermediate labour market', typically operates with a transitional model that provides training or temporary employment with the goal of assisting trainees/employees to gain employment in mainstream businesses (Nockolds, 2012). Transitional work-integrated social enterprise (WISE) are a specific model that aim to transition people out into open employment. They may not be the best match for everyone and some WISE scholars note the importance of creating employment opportunities that are secure and provide regular work (Williams et al., 2012). The second type of social enterprise, offers permanent employment and on-going training either within the enterprise or through placement (Spear & Bidet, 2005). There are also enterprises that adopt both models.

It is estimated that there are 20,000 social enterprises in Australia and nearly 7,000 of these have explicit focus to create meaningful employment for people experiencing disadvantage (Barraket et al., 2016). Australian social enterprises predominantly operate in small businesses (73%) with less than 5% in large businesses (Barraket et al., 2016). Social enterprises were cited within all industries in Australia, where Retail Trading (25%) and Health and Social Assistance (22%) were the two most frequently identified industry categories.

While research on employment-focused social enterprises provides evidence that well-run social enterprises can be effective, efficient and financially sustainable, it also identifies key challenges faced by employment-focused social enterprises, such as lack of consistent public policy for social enterprise development, the change in the future work environment (work to be less labour-intensive), costs associated with high-level flexibility and personalisation, and access to appropriate finance (Barraket et al., 2019). Additionally, researchers have also identified the financial challenges facing social enterprises where social purpose may be prioritised over economic returns, and the additional costs of delivering social purpose necessarily affects the financial trajectory of the organisation (Doherty et al., 2014). Commonly, social enterprises are considered hybrid organisations and as such rely on a mix of revenue including commercial revenue, grants, donations, and other forms of finance and may not be expected to be fully self-sustaining via commercial revenue alone (Doherty et al., 2014).

ADEs are a type of employment-focused social enterprise. This is echoed by the desktop study finding that 110 ADEs out of 477 are certified social enterprises by Social Traders. Many ADEs have been operating their social businesses for decades and have gained expertise in providing personalised employment supports. The continuously growing and maturing social enterprise sector could bring new ideas, opportunities, and operational models to ADEs as well as mainstream employers, in a collective mission to create more meaningful jobs for people experiencing employment barriers.

IMPLICATIONS FOR REFORM

ADEs continue to create jobs for 16,000 people with significant disability around Australia, in a range of industries. They have substantial experience and expertise in creating employment that is highly customised and the provision of suitable supports to enable employment.

With the cessation of the Australian Disability Enterprises Services, there is no clear nomenclature for this sector. Organisations will evolve differently and align with different organisational and employment service models, including those in the social enterprise sector.

The two main critiques of ADEs have been the segregated nature of their work settings and workforce (including the lack of transition opportunities to work beyond the ADE), and the payment of low wages. Many ADEs have shown progress on the former by offering work in integrated industry and community settings and, some, through increasing the diversity of their workforce, largely through an additional focus on other marginalised groups. Some ADEs now advertise linked ‘employment pathways’ beyond the ADE, though the outcomes of transition remain miniscule.

The payment of low wages remains an area of concern for all parties. It has been considered, by the sector, the necessary price of sustaining the social mission of job creation for people with significant employment barriers. The changes in funding brought about by the NDIS may further disrupt the financial sustainability of the sector. Already some ADEs have closed and the sector has contracted. Given the history in the social enterprise sector, it is likely that the true costs of the social mission of the ADE sector have never been adequately understood nor supported, resulting in employees bearing the impost of the financial viability of the organisation through low wages. While some industries or some workforce structures (for example, the Outlook Victoria workforce where only a small proportion of workforce has a disability) might offer greater profitability, these may not be feasible or desirable for all ADEs. It is not clear if NDIS funding has been designed to address the true costs of specialised employment support via job creation in organisations where 75% of their employees are people with significant disability. Nor is it clear, due to an absence of data, whether earlier government investment in the sector has had any effect in lifting wages and increasing profitability.

The lack of available data relating to ADEs highlights an ongoing issue: the lack of detailed understanding (beyond the ADE sector) of the activities, the business models, and the associated costs, along with the barriers that remain to desegregation. It is difficult to design reform with so little information.

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APPENDIX 1: HISTORICAL DATA 2005/6 - 2009/10

Data sources:

- Australian Disability Services, 2009-10 (DSS, 2014a, 2014b)
- Australian Government Disability Services Census, 2006-2008 (FaHCSIA, 2006-2008).

	# Supported employment service outlets	# Total supported employment service users
2009-10	327, of which: 46% in major cities; 51% in regional areas; 2% in remote areas	22,020, of which: *68% had an ID;* *82% had a profound or severe core activity limitation* *35% were females;* *2% were Indigenous* *32% were in regional & remote areas* *91% received DSP* -
2008-09	397, of which: 51% in major cities; 45% in regional areas; 2% in remote areas	22,898, of which: *66% had an ID* *80% had a profound or severe core activity limitation* *35% were females;* *2% were Indigenous* *32% were in regional & remote areas* *92% received DSP* -
2007-08	413, of which: 57% in major cities; 41% in regional areas; 2% in remote areas	22,167, of which: *70% had an ID* *72% had a profound or severe core activity limitation* *36% were females* *2% were Indigenous* *32% were in regional & remote areas* *98% received DSP* *29% worked full-time hours* *26 hours worked per week (average)* *$3.74 gross hourly wage rate (average)*
2006-07	415, of which: 56% in major cities; 43% in regional areas; 2% in remote areas	21,933, of which: *70% had an ID;* *74% had a profound or severe core activity limitation* *36% were females;* *2% were Indigenous* *33% were in regional & remote areas* *91% received DSP* *32% worked full-time hours* *26 hours worked per week (average)* *$3.03 gross hourly wage rate (average)*

2005-06	397, of which: 55% in major cities; 42% in regional areas; 2% in remote areas	21,249, of which: *71% had an ID;* - *36% were females;* *2% were Indigenous;* - *- 91% received DSP* *34% worked full-time hours* -

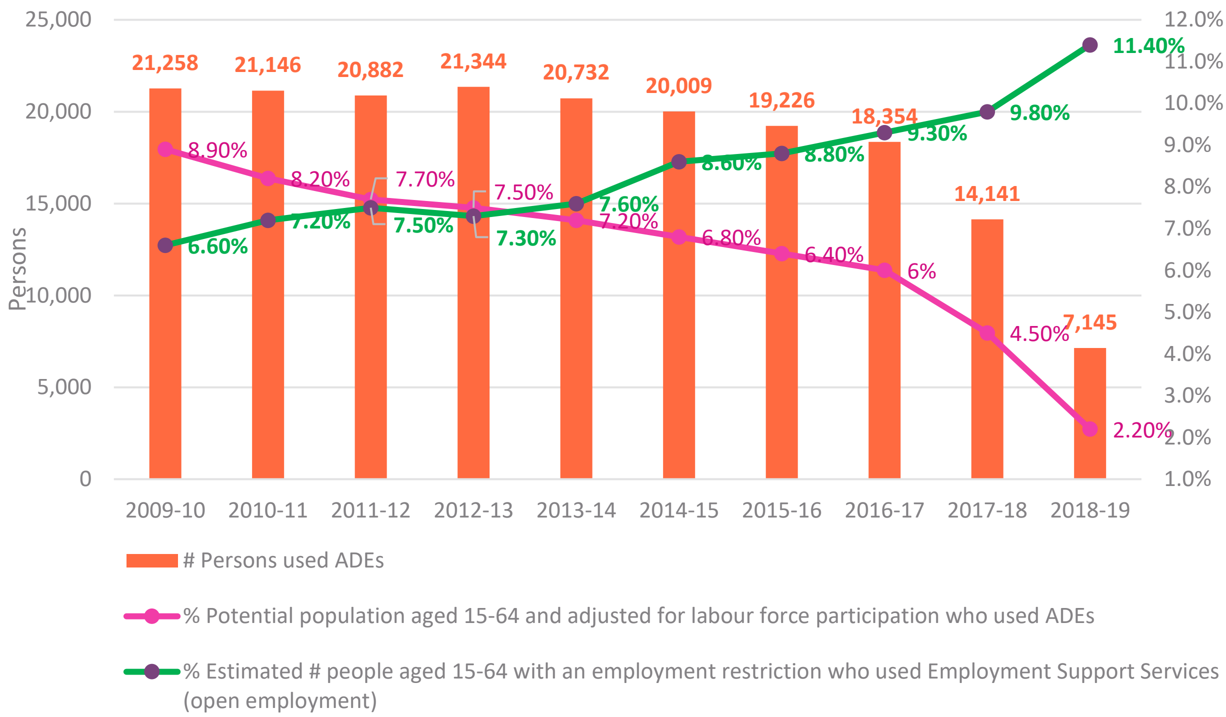
Note: Prior to 2005, disability employment service outlets had a third category for 'dual open/supported' employment and data were collected and reported across three categories. The census data earlier than 2005 was not included here due to different data collection approaches used.

APPENDIX 2: HISTORICAL DATA 2009/10 – 2018/19

Data source:

Report on Government Services, 15 Services for People with Disability (Productivity Commission, 2021).

Figure 2: Overview of people used ADEs and open employment, 2009-2019 (Data source: RoGS 2021)



(Note: The ‘potential population’ is the number of people with the potential to require disability support services, including individuals who meet the service eligibility criteria but who do not demand the services. The potential population varies across different services.).

Due to funding changes and NDIS roll out affecting ADEs, the 2018-19 data reflects a decreasing funding pool of organisations funded via DSS, with organisations now receiving funding via NDIS (for ADE activities) not included here. According to the Employment Outcomes report (NDIA, 2018), a total of 8,908 NDIS participants worked in ADEs by 30 June 2018. It can then be estimated that roughly 23,000 people (14,141 funded via DSS and 8,908 funded via NDIS) were in ADEs by June 2018.

APPENDIX 3: METHODOLOGY FOR DESKTOP REVIEW OF ADEs

The National Disability Services (NDS) maintains the Buyability Directory of ADEs: https://buyability.org.au/directory/. This is currently the most comprehensive list of ADEs publicly available and is based on ADEs formerly funded by the Department of Social Services under the Australian Disability Enterprise Services program before it ceased. With assistance from NDS, CSI was able to access the public data on which the website is based in an excel format.

The Buyability list was used as a base to undertake a desktop review to compare other data against. The Buyability list was first cleaned and organised to collate all ADE outlets with their ADE provider, and to code them by size of supported employee workforce. Data was then compared with the list of Disability Social Enterprises Signatories coordinated by the Endeavour Foundation, which provided supported employee counts for 38 ADE organisations (last updated on 11 October 2022).

A desktop review then added data from each of the websites, and related documents, from each ADE provider and/or outlet. This data included, where available:

- the number of supported employees
- target beneficiaries (employees) when other than people with disability
- the terminology used by the organisation to describe its ADE activity (for example, was the term ADE still in use, was the term 'social enterprise' used, or other?)
- pathways to employment, including open employment, identified on the website.

In addition, all ADE outlets/providers were checked for certification as a social enterprise by Social Traders by checking the Social Traders national directory of certified social enterprises.

Finally, ADE providers were also checked on the NDIS provider finder to establish the range of NDIS services the ADE providers offered, if any, in addition to supported employment.

Decisions were then made about the data fields where sufficient data was available to support analysis. Where possible, results were compared across sources (including comparisons with publicly available historical data).

Due to the short timeframe of the project, not all data fields were able to be fully populated. It is the intention of the research team to continue to expand this data set, subject to resources.