Not a One-Stop Shop: The NDIS in Australia's social infrastructure

percapita

FIGHTING INEQUALITY IN AUSTRALIA

November 2022

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About Per Capita

Per Capita is an independent public policy think tank. We work to build a new vision for Australia based on fairness, shared prosperity and social justice.

Our office is located on the stolen lands of the Wurundjeri people of the Kulin Nations, which were never ceded. We strongly support the Uluru Statement from the Heart and the call for a First Nations Voice to Parliament.

Per Capita's research and policy prescriptions are rigorous, evidence-based and long-term in outlook. All our publications and activities are intended to deepen political, social and economic democracy, and we are focused on challenges for the next generations rather than the next election cycle.

Our approach to public policy

Per Capita's approach to public policy challenges the dominant narrative that disadvantage arises from personal fault or failure by pointing out the policy choices that have deepened inequality and proposing alternative choices that will lessen it.

Our policy analysis and recommended solutions seek to recognise the challenges, and work within the complex economic, political and social conditions, of our age, such as:

- The impact of rapid climate change and extreme weather events;
- Growing economic inequality, with increasing returns to capital and a decline in returns to labour;
- The growing difficulty of accessing good jobs, adequate income support and secure housing; and
- The negative effects of privatisation and the deliberate shrinking of essential public services.

In doing so, we strive to incorporate new thinking in social science and economics, innovative ways of working with data, and effective evaluation tools to measure outcomes. We also engage actively with organisations across society, including the union movement, civil society, the community sector, academia, business, government and the public service, and social change movements.

In all our work, we seek to uunderstand and highlight the experiences of those who bear the brunt of the effects of policy choices that exacerbate inequality, including underpaid and exploited workers, people who can't get a decent job, women, First Nations people, members of the LGBTQ+ community, people with disability and their carers, migrants and refugees, and others who are marginalised by our economic and social structures and denied their fair share of power and resources.

We live and work in hope and solidarity

The democracy Per Capita works for is one that shares its knowledge, wealth and power, to ensure all its citizens can live meaningful and fulfilling lives, able to take care of each other and of our shared planet.

About the author

Michael D'Rosario, Chief Economist

Michael is Chief Economist and Head of Data Science at Per Capita. At Per Capita Michael has lead research activities in Health Economics, Complex Systems analysis, and economic modelling programs.

Michael's recent research partnerships include the Australian Multiple Births Association, Deaf Connect, Deaf Australia, NDS, Minderoo, CyberCX, and OCH. Michael possesses significant experience working with NFP, university and corporate organisations in Australia and abroad. Most recently, Michael served as a course chair at Deakin University, the ESG Advisor to CPA Australia, and as Research, Policy and Communications Advisor to the Victorian Aboriginal Legal Service and the National Aboriginal and Torres Strait Islander Legal service.

In addition to Michael's role with Per Capita, he teaches research methods to graduate students at the University of Adelaide. Prior to working with Per Capita and the noted organisations, Michael worked with AusAid, Victoria University and the University of Melbourne. He has served on a number of university boards as a Non-Executive Director and Deputy Chair. Michael is passionate about social justice and presently works on projects in ensemble forecasting methods, ethical/explainable A.I. and the role of technology in addressing social inequality.

Michael's doctoral and postdoctoral work in econometrics has focused on the role of innovation in driving job creation, economic development and services access.

About NDS

NDS is Australia's peak body for non-government disability service organisations, representing more than 1100 organisations from the full spectrum of disability service providers across Australia.

We promote the full social and economic participation of people with disability by supporting high-quality, innovative and sustainable disability services. Members range in size from small support groups to large multi-service organisations and collectively, operate several thousand services for Australians with all types of disability.

Suggested Citation:

D'Rosario, M. (2023), Not a one-stop shop: the NDIS in Australia's social infrastructure, National Disability Services, Per Capita, Australia, 14 November[1]

[1] The author would like to acknowledge the significant contributions of Emma Dawson, Executive Director at Per Capita, Sam Ibrahim, Research Economist at Per Capita and Matthew Lloyd Cape, Director, Centre for Equitable Housing at Per Capita.

Summary and Recommendations

The NDIS was founded upon a three-tier system, with each tier providing a critical and unique contribution to the overall system of support and care for disabled people. Like a three-legged stool, the removal or weakening of any one of these tiers would fundamentally destabilase the entire NDIS.

Tier 2 was originally designed to provide for a robust community-based support system, which could offer services not only to NDIS participants, but also to the roughly 4 million disabled people who fell outside of the Tier 3 individualised service provision. The primary forms of support provided in Tier 2 are information and referral services rather than funded care and support. Many such programs have been funded by the federal Department of Social Services under the Information Linkages and Capacity Building (ILC) Program, which has provided grants to targeted community sector programs such as the High School Pre-employment Program by the ACT Down Syndrome Association, the Tasmanian Amputee Society's Amputee Peer Support Program, Autism at Work by Asperger Services Australia, and Building Stronger Communities Together, delivered by the Australian Migrant Resource Centre.

However, the definition and scope of government support to Tier 2 services were diminished under the previous government, despite calls from the sector, and the Productivity Commission, to return the scheme to its original design. Indeed, recent research shows that 90% of Australians living with a disability who do not receive Tier 3 packages report are unable to access the services and support they need.[2]

Tier 2 funding now accounts for less than 1 per cent of total program investment.

Many Tier 2 service providers predate the NDIS, and have traditionally relied heavily on donations and volunteers to remain viable. However, COVID and rising costs of living have reduced the capacity of many volunteers, and economic pressures have resulted in a decline in donor flows, at the same time as overheads have risen.

This research paper examines two key trends of concern relating to the provision of Tier 2 services:

1. The changing structure of federal and state funding for Tier 2 services, and;
2. The declining level of volunteering in the sector, upon which, in the absence of appropriate funding, many Tier 2 organisations are increasingly dependent.

We highlight the declining, sporadic and unpredictable nature of Tier 2 funding. Such funding arrangements are anathema to the creation of a community-based support system since community-based organisations are particularly vulnerable to unpredictable cash flows.

Our analysis shows that donor levels have fallen, coinciding with dramatic declines in overall NFP sector volunteerism, putting greater pressure on Tier 2 supports and activities delivered through a diminishing pool of funding, volunteers and employed staff.

While some providers, such as charitable organisations, can try to mitigate these effects by directing limited cash flows to the provision of Tier 2 supports, not all providers are able to do so, especially those in the for-profit market segment. This puts Tier 2-like activities in a precarious position should the charitable sector continue to receive reduced donor funds and lower levels of volunteering combined with declining and sporadic government funding for Tier 2 services.

The headwinds that the sector faces are significant. The rising costs of living, and of operating community organisations, is adding extra pressure both in terms of funding and volunteering, meaning that the sector requires critical funds to ensure that their Tier 2 services continue to be offered.

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[2] Olney S, Mills, A & Fallon L (2022) The Tier 2 tipping point: access to support for working-age Australians with disability without individual NDIS funding. Melbourne Disability Institute, University of Melbourne

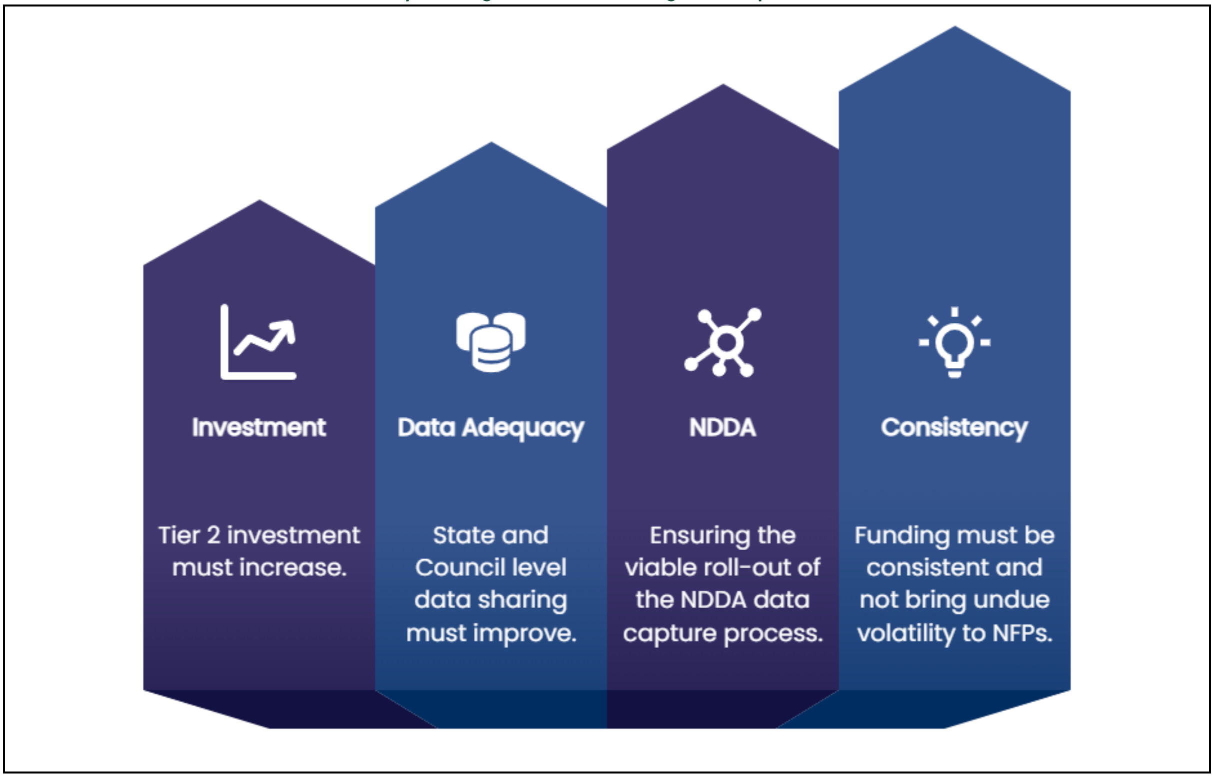
While the NDIS continues to provide significant Tier 3 supports to the community, the consistent underfunding of Tier 2 of the NDIS may have deleterious consequences for Tier 3 funding levels in the future. Tier 2 supports were intended to be for the many individuals that are not eligible for individual NDIS plans, to enable them to access support and information through community and non-government sector organisations.

Expenditure on Tier 2 supports will never be in the magnitude of Tier 3, and nor should they be. But Tier 2 funding and service design must be sufficient to offer critical support to the millions of Australians living with a disability both within and outside of the NDIS that are seeking tools to support and empower them to better engage with society.

In the absence of adequate Tier 2 supports, people with disabilities are at greater risk of being excluded from society and capacity building opportunities, and therefore more likely to need more direct support under Tier 3 services in future.

Further, a lack of information and referral services as envisaged under Tier 2 puts more pressure on Tier 3 funded services to fill the gap.

Figure 1
The necessary changes to Tier 2 aligned aspects of the NDIS



Note: Tier 2 investment is critical to the success of the NDIS. Viable referral and outcome data and funding consistency should in future ensure the continuity of activities and reduce the level of investment needed in Tier 3.

Recommendation 1: Additional transitional investment in the short term

Better transitional funding initiatives are required to ensure the continuity of existing and recently under-resourced Tier 2-like programs and initiatives previously funded through state-based agreements, to ensure continuity of service and to ensure that the social capital generated though longstanding programs is not lost.

Recommendation 2: Scale investment to achieve scheme objectives in the medium term

All stakeholders in the NDIS must be able to determine the appropriate strategy to viably increase their investment in Tier 2 service provisions, beyond transitional funding alone. This investment must acknowledge the pre-existing initiatives that have been underfunded/defunded and the purpose of the NDIS. Viable investment to scale Tier 2 activities to sufficient levels commensurate with the scheme is critical. The provision of greater Tier 2 investment may reduce the transition of some parties to Tier 3 supports.

Recommendation 3: Robust data capture process pertaining to Tier 2

We recommend a strong data capture and disclosure process pertaining to Tier 2 funding that links expenditures to annual intervals at a minimum. While current public data include funding block values and recipients, data pertaining to the aligned year of investment and investment outcomes is essential. Data disaggregation is critical to understanding long term (Tier 2) investment trends and consequently capturing and analysing investments in Tier 2. The annual expenditures on Tier 2-like activities administered previously by the NDIA and currently administered by the DSS is critical to determining the effectiveness of Tier 2 activities, and to identifying areas of omission.

Recommendation 4: Additional funding for volunteer facilitation

NFP organisations must be funded to provide the necessary supports to volunteers and to involve volunteers in Tier 2 activities. Further funding of Tier 2 supports may be necessary to accommodate the decline in volunteer led Tier 2 supports, and to facilitate greater participation. The funding of volunteer activity and activity supports should not be at the expense of core Tier 2 funding.

Recommendation 5: Capacity replacement investment in the short term

Beyond funding implicit within Recommendation 1 (Transition) and Recommendation 2 (Scaling), additional capacity replacement funding may be necessary. Given the decline in volunteerism and donor funding, as well as the changes in both casual and ongoing employment plausibly aligned to Tier 2, many critical Tier 2 supports, and the associated community connections are in jeopardy. Additional investment in ILC activities through the expansion of the DSS administered grants program is essential to bring stability to service delivery and maintain valued social supports and provide sufficient capacity to the sector after the impact of COVID, and significant cost of living pressures.

Recommendation 6: Stabilisation of funding provision

Noting the need for additional funding pursuant to Recommendation 1 (Transition), Recommendation 2 (Scaling) and Recommendation 3 (Capacity replacement) it is recommended that the increased investments (?) in Tier 2 are made in a stabilised manner to reduce the volatility that varied and piecemeal investment in service delivery introduces to provider enterprises and balance sheets. Volatile arrangements erode goodwill, and social capital is often lost as programs that implement effective Tier 2 supports see their investment withdrawn, affecting workers and recipients of care.

Recommendation 7: More granular data provision at Local (Council) level

It is essential that council level data in alignment with existing expenditure reporting frameworks be reported with sufficient detail to disentangle high level expenditure categories. Present reporting requirements are that councils only report to 10 high level categories, know as functional purposes, and associated sub-categories, making the analysis of disability category specific expenditure untenable[3]. Reporting practices should be reformed to provide more transparent and accountable records of disability program expenditure.

Recommendation 8: Provision of State level disability services investment data

It is necessary that state agencies report on specific expenditures and investments made onTier 2 supports to enable informed assessment and policy decision-making in how resources are allocated between the different Tiers of the NDIS. More granular program outcomes data is necessary to inform Tier 2 program design and to ensure the viable use of program funding. Both the funding uncertainty and lack of published outcomes data makes the determination of sound and useful services challenging.

[3]The classification of expenditure in ABS publications and datasets is based on a system of classification developed by the OECD that splits expenditure by government into 10 functional categories under the "Classifications of the Functions of Government" (COFOG). The first level of the 10 functional purposes include, General public services, Public order and safety, Economic affairs, Environmental Protection, Housing and community amenities, Health, Recreation, culture and religion, Education, Social Protection, Transport. The category that incorporates disability expenditure is Social protection and is further segregated into 10 sub levels including Sickness and disability, Old age, Survivors, Family and children, Unemployment, Housing, Social exclusion n.e.c., R&D, social protection, Social protection (including natural disaster relief), Social protection n.e.c. Detailed expenditure on Disability is not reported separately by councils beyond their financial reports and reporting to relevant state departments. State departments responsible for local government data furnish this data to the ABS.

Scope of Research

This research paper presents the results of an analyse of patterns in volunteerism, staffing and expenditure associated with Disability NFP and Charitable organisations, to explore trends in Tier 2 (ILC and associated category investment) supports associated with the delivery of care services.

Additionally, Per Capita analysed expenditure data of local government entities pertaining to health care and disability support. This analysis is supplemented by data on whole of government expenditure on disability care. These three sets of analyses enable an exploration of any changes in expenditures associated with disability care, with a particular focus on Tier 2 supports (including ILC, ECP and SCP funding).

While LGA data lacks granularity, it nonetheless offers insights into care provisions beyond Tier 3. We acknowledge the limitations of the data associated with NFP entities in exploring employment trends given the diversity of provider models. Additionally, given the inability to ascertain and qualify the designations of the several hundred thousand staffers working continuously over the interval, determining those who engaged specifically in Tier 2 and Tier 3 support provision is imprecise. Nonetheless, given the data on sector specific volunteerism and employment it is reasonable to surmise that core volunteerism pertains to broader non-Tier 3 supports, given the directly funded nature of many Tier 3 supports.

The analysis seeks to offer greater insight into the provision of Tier 2 supports for the many individuals with disabilities that are not included in the NDIS, and for those that are seeking engagement through block funded activities and information services.

Acronyms, Abbreviations and Key Definitions

Acronyms and Abbreviations

- NDIS – National Disability Insurance Scheme
- ABS – Australian Bureau of Statistics
- AIHW – Australian Institute of Health and Welfare
- OECD – Organisation for Economic Cooperation and Development
- ECP – Economic and Community Participation
- DPFO - Disabled Peoples and Family Organisations
- EP – Economic participation of people with disability
- PITC – People in The Community
- SCP – Social and Community Participation
- ILC – Information, Linkages and Capacity Building
- SROI – Social Return on Investment
- NDDA – National Disability Data Asset

Key Definitions

- Tier 1 – Pursuant to the original Productivity Commission definition the notion of Tier 1 support pertains to the entire population. Tier 1 of the NDIS would effectively focus on the entire Australian population in that it would provide insurance (in the form of guaranteed support) for all Australians with a significant disability. A further focus of Tier 1 would be to 'minimise the impacts of disability' through such activities as promoting opportunities for people with a disability and creating awareness in the community about issues affecting people with a disability (PC, 2017, APH, 2018)
- Tier 2 – Tier 2 pertains to a category of level of support provided through the NDIS. Tier 2 would include anyone with a disability and their primary carers (estimated by the Productivity Commission at around 4.8 million people). The primary form of support provided in Tier 2 would be information and referral services, as distinct from funded care and support
- Tier 3 – Tier 3 pertains to individualised support rather than block funding. Tier 3 would provide long-term care and support to people with a significant and ongoing disability and who meet age and residency criteria (estimated at the time to be around 410,000 people). People receiving supports under Tier 3 would have a disability that is, or is likely to be, permanent (that is, irreversible, even though it may be of a chronic episodic nature) (APH, 2018, PC, 2017).
- Casual employee - A person is a casual employee if they accept an offer of a job from an employer knowing that there is no commitment to ongoing work with an agreed pattern of work. Within this report we consider a casual employee to be an employee with non-guaranteed work hours.
- Permanent Employee (Ongoing Employee) - Full-time and part-time employees have an advance commitment to ongoing employment. They can expect to work regular hours each week. They are also entitled to paid leave and must give or receive notice to end the employment. Within this report ongoing employees have committed weekly hours, rather than non-guaranteed hours, even where such hours usually follow a regular pattern.
- General volunteerism – Engaging in volunteerism of a general nature in either a part time, ad hoc or episodic way, to a specific program, a non-specific program, or in a staff or non-staff (line role) based capacity. Volunteering pertains to an organisation or entity.
- Staff volunteerism – Volunteering (unremunerated) in a staff specific role.
- Informal volunteerism – Volunteerism pertaining to informal relationships, that is non familial volunteering with non-organisations; such as neighbours, acquaintances (volunteering or providing unpaid work to people outside your family).
- National Disability Data Asset – A national co-operative initiative to establish a comprehensive deidentified data asset, incorporating granular data.

Introduction

The NDIS was designed with the intention of bringing specialist disability services under a single umbrella and was seen as a way to reduce the fragmentation associated with existing systems while promoting efficiency and better outcomes for individuals within the scheme.

The foundational work of the Productivity Commission (PC) sought to present a framework that was broad in scope and would serve the needs of disabled Australians across three strands of policy (APH, 2018, PC, 2017):

- The first tier of the scheme would provide insurance against the costs of support, in the event of any eligible person acquiring a significant disability.[4]

- The second tier of the scheme would provide support to any person affected by disability, through the provision of information about care and support options. This is now known as the Information Linkages and Capacity Building (ILC) program. Notably, the intention was to encourage the development of an ecosystem of support providers, providing a diversity of choice and opportunity, linking people with disabilities with community organisations. It was expected that participants would be able to access services not directly within the scope of the third tier, or for which the NDIS did not provide oversight. These services are perhaps best understood as mainstream services, and those delivered by community groups, organisations, not-for-profits (NFPs) and local government.

- The third tier would provide individually tailored supports to people who had been assessed and found eligible to be scheme participants.

The PC identified not-for-profit (NFP) entities, community organisations and local government as "system enablers": these entities would build the capacity of the care and support service ecosystem, extending the options and opportunities presented to individuals with disabilities. The entities would also support and co-ordinate voluntary services at a community level, ensuring service continuity and resilience within Tier 2 services. It was also anticipated that many organisations providing Tier 3 supports would also engage in the delivery of Tier 2 supports.

The provision of Tier 3 supports was not expected to result in a reduction of Tier 2 supports. However, state funding for Tier 2 service providers has declined dramatically since the introduction of the NDIS while, federal funding of Tier 2 organisations is sporadic and extremely low. Recent research shows that 90% of Australians living with a disability who are not receiving Tier 3 packages report being unable to access the services and support they need.[5]

This report analyses trends within the disability services sector, and the extent of Tier 2 investment made prior to the recent change of federal government, to inform consideration as to whether greater Tier 2 investment (both state and federal) may have positive consequences for participants and future Tier 3 funding commitments.

Understanding the intention of Tier 1 and Tier 2 supports in Disability Care

The NDIS is relatively young state-federal jointly funded initiative, which regulates and funds the quasi-market for disability care and support.

The scheme has replaced the patchwork initiatives that preceded it, promising a more integrated and less fragmented framework for the delivery of disability care services. As a jointly funded scheme the program is

[4] Criteria for eligibility are that applicants must have a disability caused by impairment, be an Australian citizen or permanent resident, younger than 65 at the time of application, and currently living in Australia.
[5] Olney S, Mills, A & Fallon L (2022) The Tier 2 tipping point: access to support for working-age Australians with disability without individual NDIS funding. Melbourne Disability Institute, University of Melbourne

one of the broadest and most considered approaches to disability care ever enacted, replacing the more patchwork, and highly varied state-based schemes that preceded it.

The trial phase commenced in 2013 after the scheme was introduced under the Gillard Government. The scheme was a major departure from the system of disability care and associated supports provided through the National Disability Agreement, evidencing greater co-ordination, and investment and fundings assurance for individualised supports.

The NDIS in its present form is the result of years of analysis and policy discussion regarding the frailties and challenges of the pre-existing system. Several reform activities played a key role in the current design, including the work of the 2007 Senate Standing Committee on Community Affairs (the Committee) inquiry report, funding and operation of the Commonwealth State/Territory Disability Agreement.

In April 2008, a submission to the Rudd Government's Australia 2020 Summit (the Summit) by disability advocates Bruce Bonyhady and Helena Sykes argued for greater investment in care-based responses for people living with disabilities. The National Disability Strategy (the Strategy) was developed by the Commonwealth and state and territory governments under the auspices of the Council of Australian Governments (COAG). In April 2008, the Government announced the establishment of the Disability Investment Group (DIG) a key milestone in the progression towards a more integrated approach to disability care.

In December 2009, as part of the development of the Strategy, the Government requested that the Productivity Commission investigate 'the feasibility of new approaches, including a social insurance model, for funding and delivering long-term disability care and support for people with severe or profound disabilities, however they are acquired' (APH, 2018). The Productivity Commission reported to Government on 31 July 2011, finding that:

> *The current disability support system is underfunded, unfair, fragmented, and inefficient. It gives people with a disability little choice, no certainty of access to appropriate supports and little scope to participate in the community. People with disabilities, their carers, service providers, workers in the industry and governments all want change.*

The Productivity Commission recommended that the current system be replaced by a new disability care and support scheme, the NDIS. The scheme proposed by the Productivity Commission would have three tiers, focused on three groups of people.

- *Tier 1 of the NDIS would effectively focus on the entire Australian population, in that it would provide insurance (in the form of guaranteed support) for all Australians who acquire a significant disability. A further focus of Tier 1 would be to 'minimise the impacts of disability' through such activities as promoting opportunities for people with a disability and creating awareness in the community about issues affecting people with a disability.*
- *Tier 2 would include anyone with a disability and their primary carers (estimated by the Productivity Commission at around 4.8 million people). The primary form of support provided in Tier 2 would be information and referral services, as distinct from funded care and support.*
- *Tier 3 would provide long-term care and support to people with a significant and ongoing disability and who meet age and residency criteria (estimated at the time to be around 410,000 people). People receiving supports under Tier 3 would have a disability that is, or is likely to be, permanent (that is, irreversible, even though it may be of a chronic episodic nature). They would also have 'significantly reduced functioning in self-care, communication, mobility or self-management and require significant ongoing support' and/or be assessed as belonging to a group 'for whom there was good evidence that [early] intervention would be safe, significantly improve outcomes and would be cost-effective'.*

  (NDIS: A chronology; APH, 2022)

Figure 2
The Three tiers of the NDIS

Note: The Three tiers of the NDIS as conceptualised by the productivity commission (2013), Source: Per Capita (2023)

The current system broadly aligns with the model envisaged by the Productivity Commission, incorporating individual funding, block funding through ILC grants and other grant categories administered initially through the NDIA and subsequently the DSS, and State and Territory funding.

However, resource allocation and focus is placed on Tier 3 supports, despite the original emphasis on the importance of Tier 2 supports being essential to many within and outside the scope of support from Tier 3.

Without Tier 2 supports, individuals with disabilities are at greater risk of needing Tier 3 supports or increased Tier 3 supports, and those outside the scope of Tier 3 are left with insufficient access to quality services. Professor Bonyhady has noted the need for greater equity in the scheme's design asserting that:

> *We need to build it up now so there is equity between the last person into the NDIS and the first person that misses out… Without that, the NDIS is built on sand and it needs to be built on strong foundations.* (Jervis Barty 2021)

Understanding patterns of grant provision, expenditure, staffing and volunteerism offers insight into the health of the Tier 2 (and Tier 2-like) ecosystem.

Overall national level trends in disability expenditure grants

This section provides an overview of how Australia compares with similar countries on welfare spending and disability-specific spending. Far from being a high spender, Australia spends relatively little on total welfare support, and is middling when it comes to the proportion of GDP dedicated to disability spending. Following this, we analyse the available data on Tier 2, and Tier 2-type, funding from federal, state and local budgets.

It is important to note that, as is made clear in our previous work,[6] investment in welfare by the state produces returns – they cannot only be considered from one side of the balance sheet. These effects often go underreported, undermeasured and unrecognised in many policy debates and public discourse. Investment in health, education, disability services, unemployment payments, single parent payments, the aged pension and other forms of welfare can contribute to a wide range of social and economic benefits. These include improvements to the available workforce in terms of size and quality, a reduction of costly morbidity and mortality, and a decline in poverty and crime, among other areas. Social expenditures have been shown to lead to economic growth, in Australia[7] and in comparator countries in the OECD.[8]

International comparisons of total welfare investment

Current levels of welfare expenditure in Australia equates to approximately 10% of GDP, which is significantly lower than the OECD average of 13% (OECD, 2022). Given this observation, Australia would rank within the lower third of OECD economies. This observation runs counter to the popular media narrative that Australia is a high tax, high spending country.[9]

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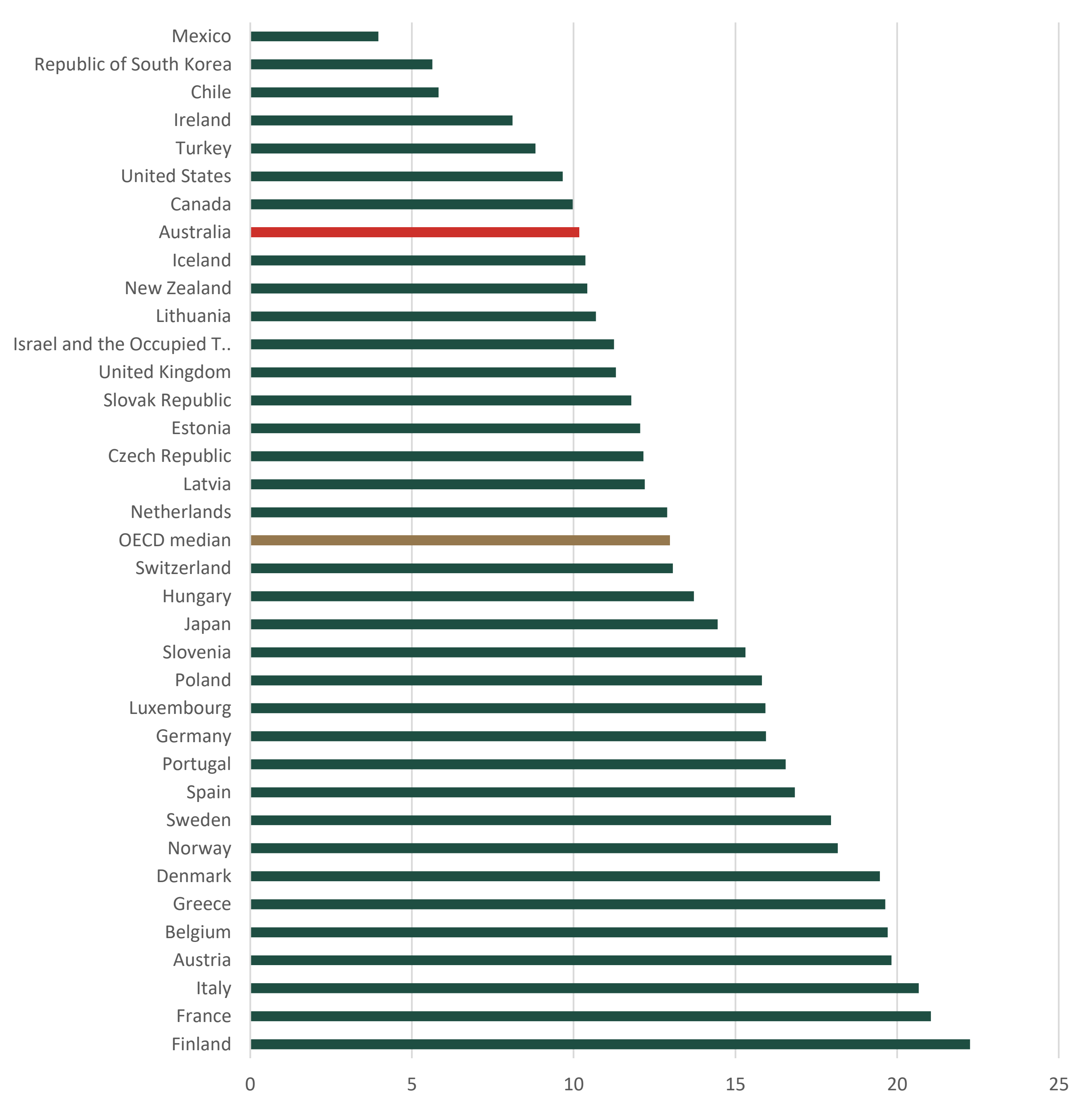
[6] D'Rosario, M, Lloyd-Cape, M (2021) False Economy: The economic benefits of the NDIS and the consequences of government cost-cutting. Lloyd-Cape, M and Jackson, S (2020) Austerity or Prosperity

[7] Khan, H., & Bashar, O. K. M. R. (2015). Social expenditure and economic growth: evidence from Australia and New Zealand using cointegration and causality tests. The Journal of Developing Areas, 49(4), 285–300.

[8] Furceri, D, Zdzienicka, A (2010) The Effects of Social Spending on Economic Activity: Empirical Evidence from a Panel of OECD Countries

[9] See the Per Capita Annual Tax Survey for more information (https://percapita.org.au/our_work/the-per-capita-tax-survey-2021/)

Figure 3
Welfare[10] expenditure as a percentage of GDP (Selected OECD countries)



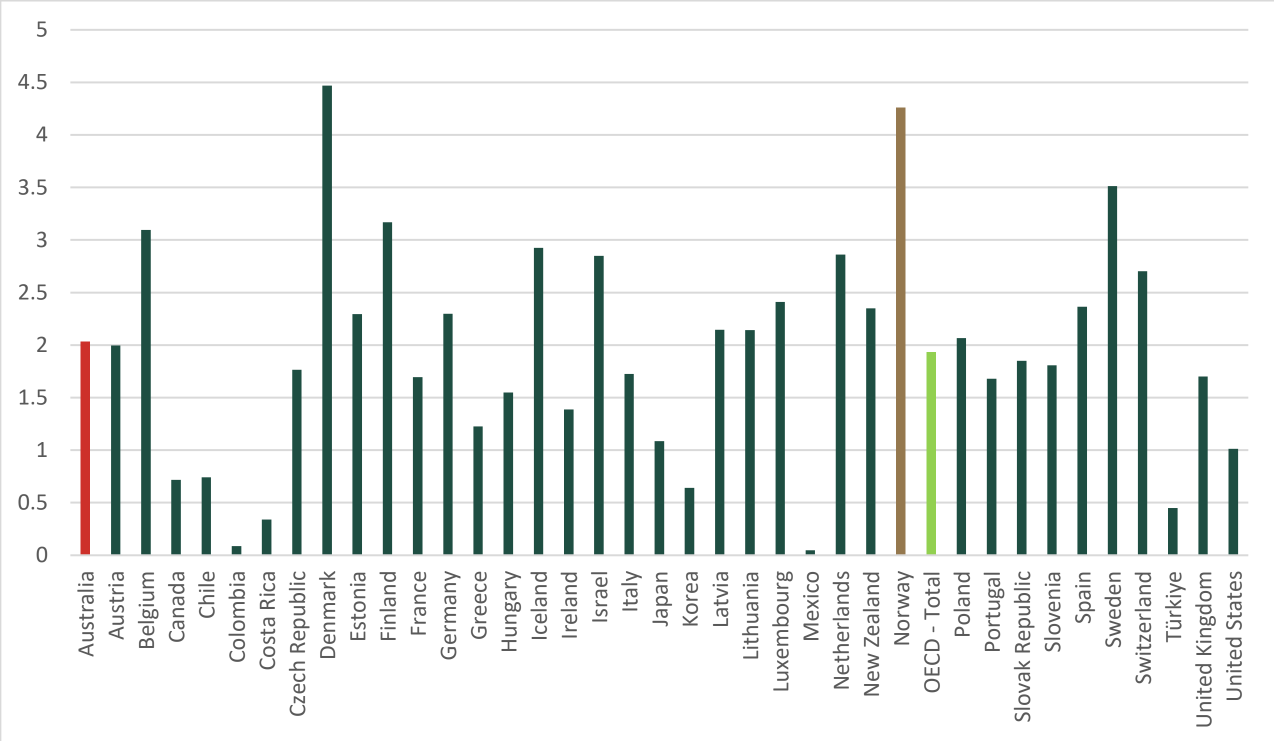
Note: the estimates are based on the OECD method any may vary from ABS reported values nominally. Excludes health, labour market programs and housing. OECD estimates pool social welfare expenditures with individual disability support investments. Source: OECD 2022

When focusing specifically on disability expenditure as a portion of GDP, national spending levels are average within the OECD, lagging many of the other advanced economies. Expenditure levels are similar to levels observed in Poland and Estonia but substantially smaller than those of Spain, New Zealand, Switzerland and

[10] OECD estimates pool social welfare expenditures with individual disability support investments. Source: OECD 2022

countries in the Nordic region[11]. A lack of granular data pertaining to category specific service data both at a domestic and OECD level makes information service specific benchmarking more difficult, should the distribution of sector specific funding be broadly comparable, domestic expenditure on ILC/Tier 2 type activities would likely lag the noted countries.

Figure 4
Expenditure on incapacity as a percentage of GDP (Selected OECD)



Note: Percentage of GDP in incapacity employing the OECD method. Values may vary nominally from ABS reported values, due to slight variations in aggregation methods. Source: OECD (2022), data series 2018.

Trends in State and Federal Welfare Investment

Understanding trends in broad welfare expenditure inform our analysis of sector specific expenditure and Tier 2 supports. Tier 2 and 3 supports are a subset of the broader welfare expenditure funding pool. Welfare spending generally aims to improve the social and economic wellbeing of the population broadly. It is distinct from health spending in that it incorporates income support and social and economic employment-related programs and services (for example, unemployment relief and family and relationships services).

Both the Australian Government and the state and territory governments contribute to welfare spending, as do non-government organisations and individuals. The Australian Government primarily contributes through cash payments relating to its areas of responsibility, as defined in the Australian Constitution (which include family

[11] The chart and analysis pertains to a critical year of transition, where NDIS investment increased, with the chart series reflecting 2018 investment data, noting the modest level of investment as a percentage of GDP in comparison to other economies. Investment in disability services has improved with recent (2019) data suggesting that our expenditure level as a percentage of GDP has increased, but this shift notwithstanding Australian investment levels still lag many advanced economies (see Appendix 4).

allowances, unemployment benefits and pensions); it also contributes to certain welfare services. The states and territories focus more on providing welfare services.

Welfare expenditures have increased significantly in recent years to nearly 200 billion dollars in 2020, up from approximately 180 billion dollars equating to a 12% increase in investment since 2018. It is important to acknowledge that this increase is inconsistent with the preceding trend, whereby the rate of increase was closer to the rate of inflation. The rate of change in welfare funding between 2001 and 2020 equates to approximately 3.5%. The significant increase in the welfare expenditure were the economic measures enacted from March 2020 in response to the Covid 19 pandemic, rather than a structural shift in welfare policy.

In 2019–20, the Australian and state and territory governments spent $195.7 billion on welfare. In real terms (adjusted for inflation), this represented a 12% growth in spending from 2018–19 – an additional $21.5 billion. This real growth was much higher than the average growth over the period from 2001–02 to 2019–20 (3.5% per annum) (AIHW, 2022). The main driver of this high growth rate in 2019–20 was the economic measures the Australian Government implemented from March 2020 in response to the coronavirus 2019 (COVID-19) pandemic (Ibid, 2022). In 2019–20, $195.7 billion was the estimated investment in welfare distributed across six target groups.

Table 1
Distribution of welfare expenditure

Percentage share of welfare	Monetary value of share (in $Billions)	Beneficiary group
39%	76.4	Older persons
26%	50.3	Disability
20%	38.1	Families and Children
9.5%	18.5	Unemployed persons
6.3%	12.4	First People groups, homeless persons, other persons not within the stated groups

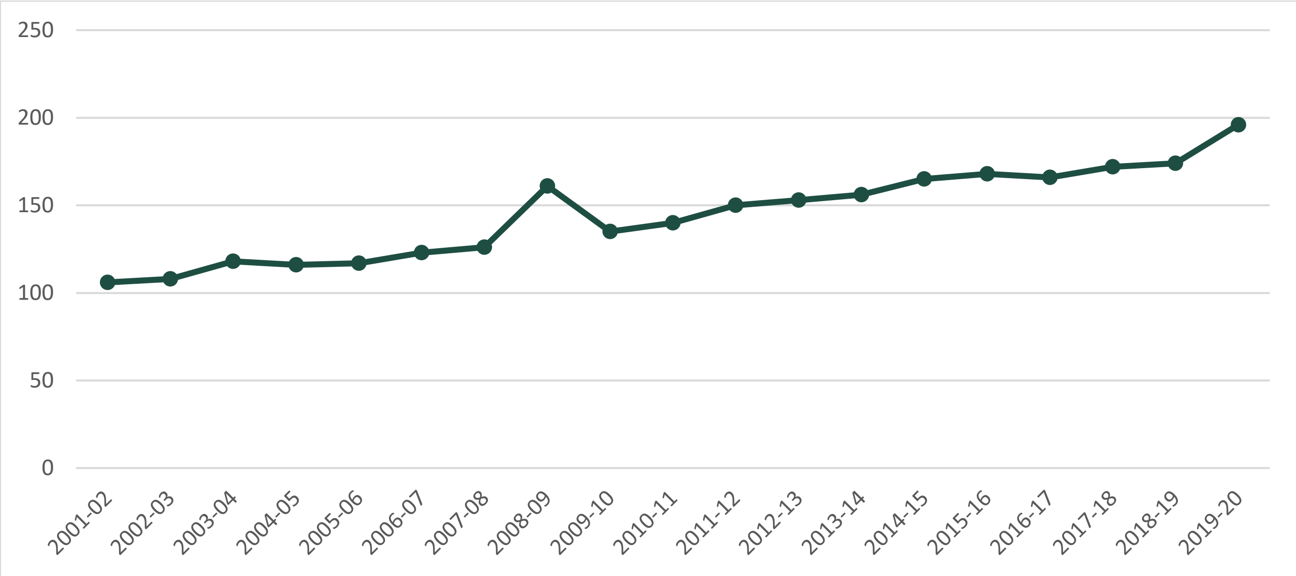
Source: AIHW (2022)

The increase in welfare investment was significant but not dissimilar to the significant increase in welfare expenditure observed post the GFC.

The 12% increase in government welfare investment occurring between 2019–2020 is reasonably attributable to COVID specific response activities. Within the increase in disability spending, the majority went toward Tier 3 services (AIHW 2022, ABS 2022).

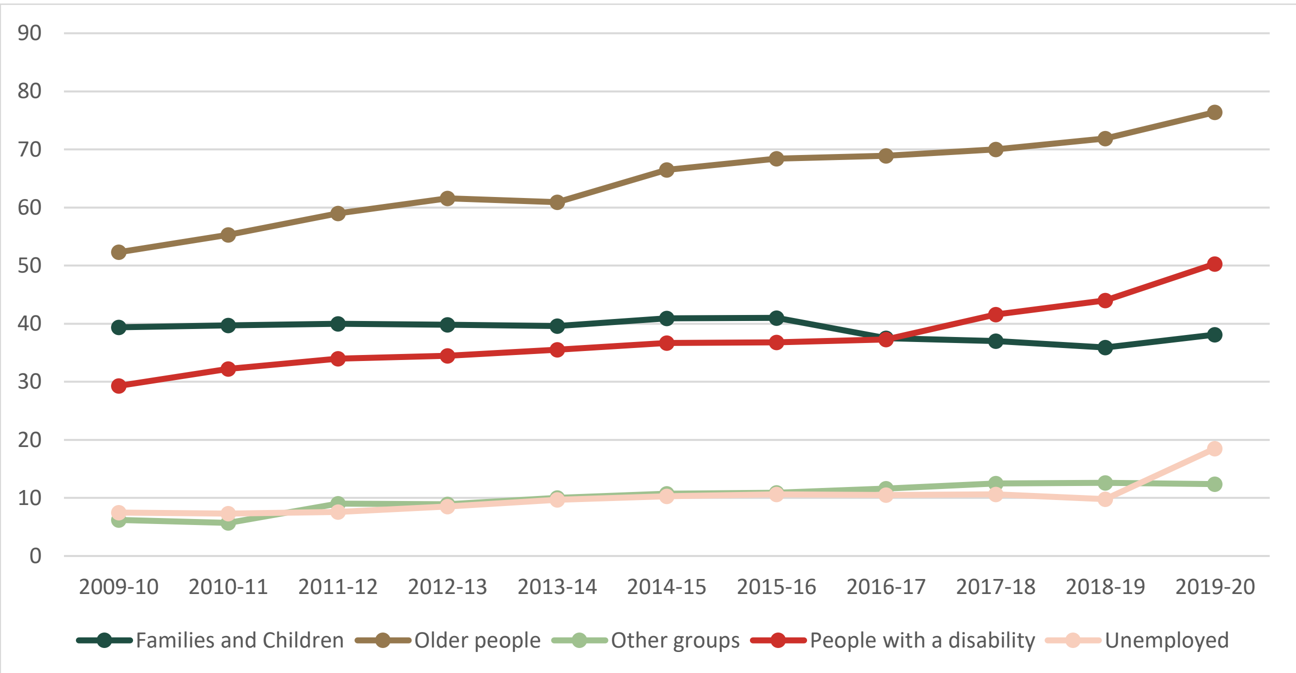
- Unemployed people (increased by $8.7 billion, largely attributable to COVID-19 response measures)
- People living with a disability ($6.3 billion aligned with investment in Tier 3 of the NDIS)
- Older people ($4.4 billion largely related to the Age Pension)
- Families and children ($2.2 billion largely related to Working Age Payments for parents) (Ibid, 2022).

Figure 5
Total Expenditure on Welfare in Australia 2001 to 2020



Note: Increased welfare expenditures coincide with significant economic events in 2008 and 2019/2020, increases in welfare expenditure have been broadly consistent between 2001 and 2020. Source: AIHW (2022)

Figure 6
Total Expenditure on Welfare in Australia, by spend focus group, 2001 to 2020



Note: some of the increase in welfare expenditure in the 2019 and 2020 interval is attributable to the pandemic. Constant value estimates are in 2019-2020 dollars. Source: AIHW (2022)

Trends in disability services specific expenditure (2017 to 2022)

While overall expenditure increased markedly in response to the COVID pandemic, a significant portion of the increase is ascribable to the family specific supports and unemployment benefits. Increases in disability specific expenditures were largely attributable to pre-existing Tier 3 support provision trends. While Tier 2 and Tier 3 expenditures are included within the total expenditure base, the granular expenditure components are not provided in disaggregated form. We estimate the disaggregated expenditures levels based on our analysis of ILC, ICB and ECB grant provisions between 2017 and 2022.

The non-individualised block grant funding (Tier 2) provided through the NDIS represents a nominal proportion of funding provided as part of the overall welfare portfolio, and the disability services portfolio, equating to less than 1%. Moreover, analysis suggests that the emphasis on the funding of co-ordination at the expense of information and referral services may be undermining the capacity of the sector, and an important foundation of the NDIS.

Tier 2 supports are now made largely through the ILC grants program. Supports provided through the ECB and ICB may also be considered as broadly aligned to and supportive of Tier 2 service provisions. Appendix 1 includes a summary of the significant block funding provided through the ILC, ECB and ICB rounds between 2017 and 2022, year to date. From mid-2020, the ILC Program transitioned from the NDIA to the Department of Social Services (DSS). The analysis summarises both initial NDIA administered and subsequently DSS administered block funding.

Analysis of Tier 2 aligned expenditures: low rates and inconsistency

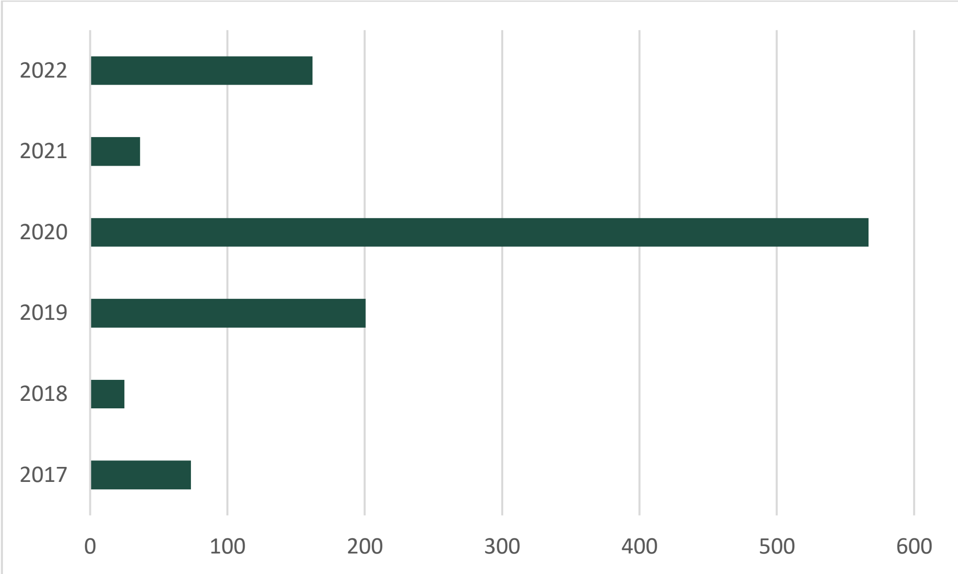
Average annual expenditure for Tier 2 aligned activities and PITC grants expenditure equated to approximately $177 million[12]. This is a nominal sum given the importance of Tier 2 activities, and their role as a 'whole of community' protection.

When applying more stringent criteria for the inclusion of funds into the Tier 2 category, excluding the PITC program funding, average annual expenditures through the NDIA and DSS administered programs equate to $104.95 million. It is difficult to reconcile this level of investment with the intended goals of the scheme.

Investing in Tier 2 creates social capital and protective overlays that may prevent individuals from progressing towards requiring greater Tier 3 supports. While the investment in Tier 2 will never be commensurate with Tier 3 (nor should it be, given the obvious economies of scale/scope in ILC activities) investing the equivalent of less than one tenth of one percent of the total investment in disability services in Tier 2 is inadequate; and this inadequate investment may necessitate greater investment in Tier 3 in the future, if critical social capital is eroded and individuals are not able to access many important social and community participation benefits through free, community-based programs and mainstream services..

[12] We acknowledge that further funding for some 'Tier 2 type' activities may be in place through pre-existing federal arrangements, and state level funding agreements. These activities may predate the NDIS. Newly funded Tier two focused activities through targeted ILC grants and associated grants are however modest.

Figure 7
Annual ILC and associated grant expenditure



Note: This chart depicts the annual total investment on all relevant grant categories between 2017 and 2022. 2020 grant levels are higher due to the inclusion of the PITC grant round. Source: DSS (2022), NDIS (2022)

Both the targeting of funding, and the issue of funding consistency, should be revisited within future funding rounds. Significant funding was directed towards local co-ordination, and while such funding is undoubtedly important, other core Tier 2 activities should not be underfunded as a result. Both information and referral services, and local co-ordination investment are critical to the success of the broader scheme. Investment in Tier 2 should not be set against Investment in Tier 3, this is a false dichotomy.

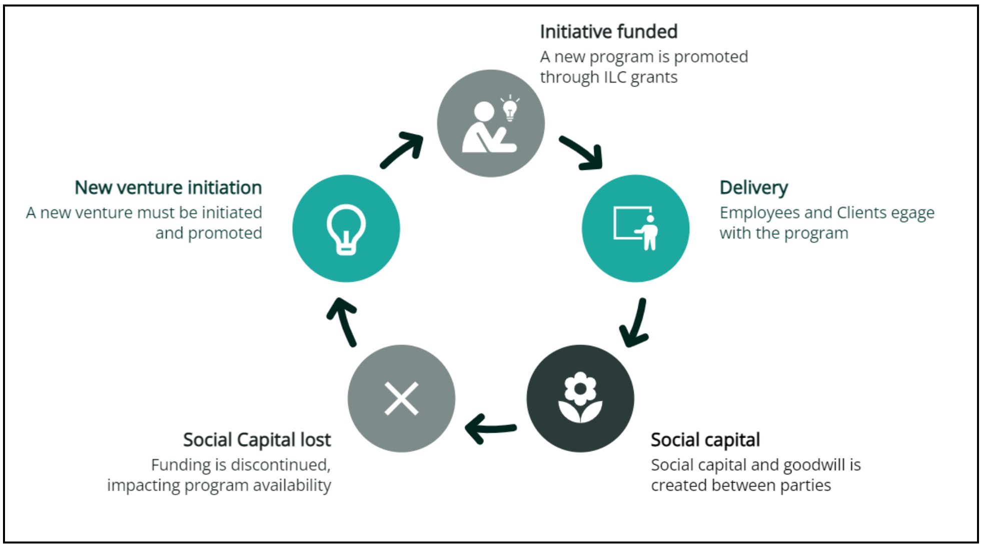
While some of the ILC grant program funding, and broader relevant grant program funding (ECP, SCP, PITC) was perhaps earmarked only for a term of transition (to support the transition from earlier funding arrangements to the new arrangements), a consistent program of recurrent funding provision will be necessary to ensure that critical social programs are not lost as a consequence of a decline in program activity consequential to the pandemic, and the significant reduction in employees evidenced over the initial COVID term.

The current piecemeal and highly varied annual funding provisions aligned to Tier 2 supports/activities are likely to bring undue volatility to the balance sheets and employment numbers of critical welfare organisations, that are not able to make long-term investments in essential Tier 2 style programs given the uncertainty of both donor flows and absent of longer term ILC funding.

The social return on investment (SROI) of funding for longstanding non-government and community sector organisations, which are critical ecosystem partners given their capacity to leverage social connections, volunteer cohorts, and civil institutions, is likely high and not adequately considered by policy makers. The fiscal multiplier alone is like to exceed parity substantially (Per Capita, 2022). When accounting for the non-pecuniary benefits of such investment – such as the alleviation of loneliness, social connectedness and personal empowerment - in addition to pecuniary benefits the justification for such investment remains strong. The continued and consistent functioning of these organisations is critical for the protective benefits of Tier 2 to be realised.

Consider the variations in funding from year to year: funding in 2018 and 2021 equated to less than 6.5% of 2020 funding allocations. While some variation in investment is anticipated, the current investment model and approach is likely to cause significant uncertainty for service delivery organisations in the non-government and community sectors, and undermine their ability to adequately plan and develop support programs. The overall conservatism shown in recent investment decisions for Tier 2 programs is inconsistent with the scheme's original design and necessitates judicious review.

Figure 9
The loss of social capital and impact of program discontinuity



Note: The chart depicts the process of program funding and defunding within Tier 2 service promotion and knowledge services. The funding uncertainty and inconsistency gives rise to deleterious impacts of service promotion, continuity and goodwill.

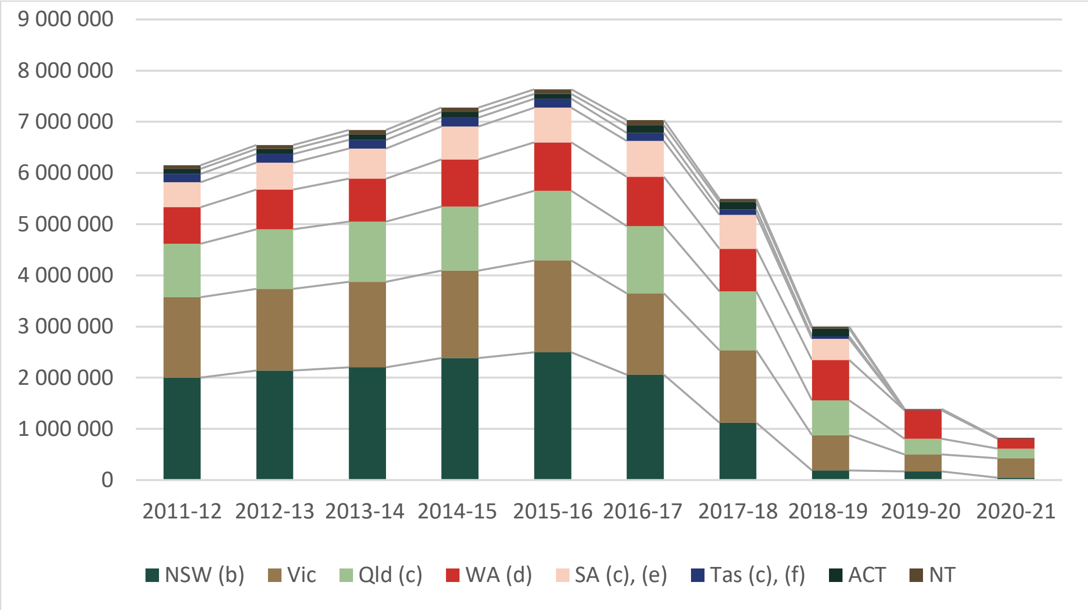
Extension funding

While the provision of extension funding in 2020 and 2021 is welcomed, the scale of extension funding and each ILC aligned round remains modest at best. Current extension funding assigned through the 2020 and 2021 extension program equates to 133 million dollars. While all block funding is beneficial and likely to evidence a strong SROI, the overall scale of funding is inadequate to address the needs of the people with disabilities, while targeted funding for individuals from specific groups evidencing greater vulnerabilities by virtue of gender identity, or as members of First Peoples communities remains extremely inadequate.

Examining State level investment in Tier 2 services (Pre and Post the NDIS rollout)

While the NDIS is a national scheme, the federal government is not the sole responsible entity: all governments share the responsibility for NDIS policy, funding and governance (NDIA, 2020, PC 2023). As part of their alignment to the National Disability Authority (NDA), state and territory governments maintain responsibility for several specialist disability services. Consequently, many services that are 'Tier 2-like', were funded by the state and territory governments prior to the establishment of the NDIS. Indeed, specialist services remain within the scope of the states' agreements, even with the NDIS approaching maturity. However, it appears that current NDIS funding may in fact be lower than aggregate state level expenditures on Tier 2 type activities that predate the NDIS.

Figure 10
Decline in state level investment in Disability Services Net of NDIS, (in thousands)



Source: Productivity Commission (2023)

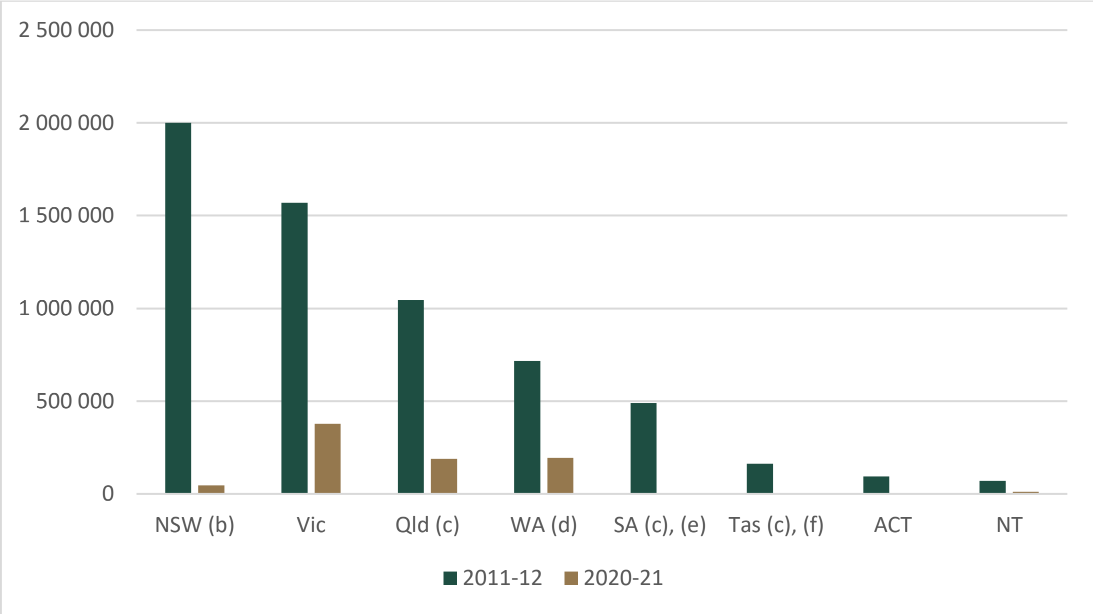
The data shows the significant decline in disability service investment occurring within all states and territories, acknowledging that some degree of decline was anticipated and necessary given intergovernmental agreements pertaining to the NDIS and state investments in the NDIS. While the increase in NDIS investment at the state and territory level exceeds the level of investment made in disability services prior to the establishment of the NDIS, it is highly plausible that the level of investment in Tier 2-like (Large Block funded initiatives) services is lower than prior to the advent of the NDIS.

The data supports this conclusion. The ratio of individual supports to Tier 2-like supports was plausibly lower prior to the enactment of the NDIS, as there was far less investment in individualised supports. This means that while the NDIS has resulted in far greater levels of investment in individuals and individual supports, it is highly plausible that Tier 2-like services that predated the activity may not have access to funding from the state funder. It is likely that some have shifted focus to similar Tier 2 activities funded centrally through the NDIA and DSS, but the modest funding assigned to Tier 2 activities to this point, suggests that it is probable that many are unfunded or underfunded.

The lack of granular data on Tier 2-like activities predating the NDIS makes conclusive analysis extremely difficult. However, the significant reduction in state level investment in disability services (notwithstanding their important direct investment in the NDIS) suggests that pre-existing programs may be forgone or nominally funded in favour of direct NDIS funding.

This was not the intention of the establishment of the NDIS, which was supposed to afford supports beyond the community directed disability services that remain the remit of both the states and territories and the DSS. It is not an either/or debate, insofar as the NDIS was supposed to provided additional funds and supports, but the states remain responsible for many critical disability supports and their investment must be commensurate. Tier 2 investment must not be set against Tier 3 investment in the NDIS, as their purposes are not the same, and often their target cohorts differ.

Figure 11
Change in Disability services investment (2011 to 2020) (Net of NDIS investment)



Source: Productivity Commission (2023)

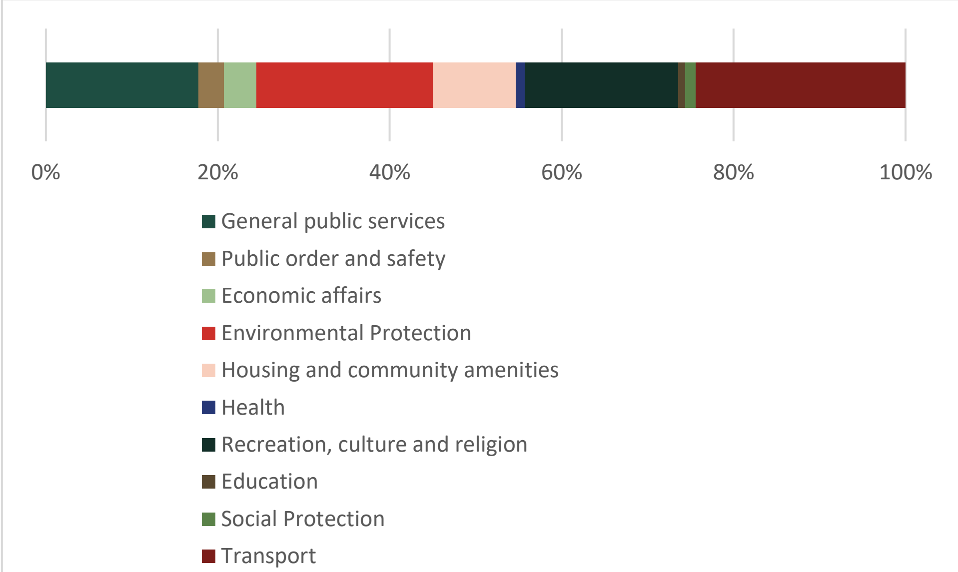
Examining patterns of disability and welfare expenditure at a Local Government level

Presently, the data associated with Tier 2 expenditures is not mandatorily reported to the ABS in detail.

In lieu of such data, we examined aggregate expenditures across the LGA classifiers to explore trends. We identify that expenditures on social protection have not kept pace with other categories of expenditure. While the expenditures have increased significantly in percentage terms, the expenditure items started from small base values.

Figure 12

Distribution of increases in Local government expenditure between 2011 and 2021



Note – The total increase in Local government expenditure equates to approximately 12.4 billion dollars.

Most notably, on Social Protection, the expenditure category that subsumes all disability associated expenditure, has only increased by $154 million dollars over 10 years. Health expenditure has only increased by 127 million over the same period. In comparison, transport expenditure has increased by over $3 billion and environment protection by over $2.5 billion.

Table 2

Increase in Local government expenditure by purpose (2011 to 2021) (in millions)

Expenditure category	Change (2011 – 2021)
	$m
General public services	2216
Public order and safety	367
Economic affairs	475
Environmental Protection	2557
Housing and community amenities	1205
Health	127
Recreation, culture and religion	2234
Education	100
Social Protection	154
Transport	3043

Note – For sub-category classifications refer to Appendix 3

It is arguable that expenditure has not kept pace with the needs of the community, nor are they commensurate with the intended role that councils play in Tier 2 service provision. Councils play a critical role in the support of local NFP entities/community groups: they often auspice and support local community organisations and groups, providing small grants, co-ordinating service delivery, and giving access to key facilities and amenities. They often also engage in program design and delivery. They are an essential partner within the disability support ecosystem.

Additional targeted funding for councils to facilitate the delivery of essential services, and to support their role in service coordination and as a community hub, is necessary to ensure service provision, access and uptake at a grassroots level.

Trends in donation fundraising

Since 2020 there has been a significant and notable decline in non-government funding, and donor funding specifically. In April 2020, 47% of 366 charities surveyed reported that they had experienced a substantial drop in donation fundraising income, with another 20% reporting a slight decrease (Institute of Community Directors Australia 2020).

Analysis undertaken during the pandemic estimated that total giving would fall by around 7.1% in 2020 and by a further 12% in 2021 (McLeod 2020). Given that much of the existing funding procured by firms within the sector is Tier 3 aligned, and given modest (prior year) profit margins in such work for many firms (see Per Capita, 2022), it is likely that such funding shortfalls from donors will affect the provision of discretionary programs and non-Tier 3 aligned activities, impacting the continuity of Tier 2 type activities. The decline in donor funding is likely to de-stabilise Tier 2, while having an immaterial impact on Tier 3.

The modest increases in council funding and the decline in state level funding are likely to impinge upon the continuity and quality of information services, referral services and group-based supports. Given the key role that service referrals and other Tier 2-like support services play in supporting and facilitating accessing to housing services, it is instructive to consider the likely impact on homelessness risk among people with disability as a result of declining donor funding.

Case study: Trends in homelessness by disability status

People with disability experience homelessness at disproportionate levels in comparison to the broader community. According to the Australian Bureau of Statistics (ABS) Survey of Disability, Ageing and Carers 2018, the rate of homelessness is higher among people with disability than those without disability. In 2018, the estimated rate of homelessness among people with disability in Australia was 71 persons per 10,000 population. In comparison, the rate of homelessness among people without disability was 42 persons per 10,000 population. A significant number of the community are identified as at risk of homelessness while the total number of individuals that are homeless and disabled continues to rise (see inter alia AIHW, 2023, Table 3). While the rate of change in the level of homelessness is stable, the absolute numbers continue to be a source of consternation.

Improvements to the rate of homelessness and those at risk of homelessness following interactions with specialist services have been modest at best. Between 2013-14 and 2019-20, homelessness following specialist support declined from 64.5% to 59.5%. However, those at risk of homelessness increased from 35.5% to 40.5% (see Tables 2 & 3). This indicates that the modest investment in ILC and associated Tier 2 activities has been insufficient to address this most urgent of problems.

Figure 13

Key challenges in service access, referral and experience

Source: AIHW data and Per Capita (2023)

While acknowledging that this issue is nuanced, it seems likely that existing information and knowledge pathways are doing little to address this critical issue. Further investment in Tier 2 supports may result in better outcomes, and better alignment of service delivery and client need.

Most critically, people with a disability continue to be disproportionately represented in data about service completeness: with a greater percentage of people with disabilities said only some of their needs are addressed, and a smaller percentage of said they had all their needs met when compared with the mainstream population (see Appendix 2).

Table 3
Outcomes post support provision (%)

Situation at end of support	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
At risk of homelessness	35.5	39.8	41.3	41.2	42.9	41.1	40.5
Homeless	64.5	60.2	58.7	58.8	57.1	58.9	59.5

Table 4
Specialist Homelessness services clients with disability by homelessness status at end of support and homelessness status at beginning of support, 2013–14 to 2019–20

	2013–14		2014–15		2015–16		2016–17		2017–18		2018–19		2019–20	
Homelessness status at end of support	**N**	**%**	**N**	**%**	**N**	**%**	**N**	**%**	**N**	**%**	**N**	**%**	**N**	**%**
	At risk of homelessness at beginning of support													
At risk of homelessness	5,114	86.0	7,520	86.1	8,667	86.3	8,883	86.5	7,253	87.3	6,881	87.5	6,889	86.4
Homeless	835	14.0	1,211	13.9	1,377	13.7	1,383	13.5	1,053	12.7	984	12.5	1,080	13.6
Total	**5,949**	**100.0**	**8,732**	**100.0**	**10,044**	**100.0**	**10,266**	**100.0**	**8,306**	**100.0**	**7,865**	**100.0**	**7,969**	**100.0**
	Homeless at beginning of support													

At risk of homelessness	1,506	35.5		2,599	39.8		3,178	41.3		3,336	41.2		2,847	42.9		2,485	41.1		2,528	40.5
Homeless	2,735	64.5		3,926	60.2		4,517	58.7		4,769	58.8		3,783	57.1		3,563	58.9		3,708	59.5
Total	**4,241**	**100.0**		**6,525**	**100.0**		**7,695**	**100.0**		**8,106**	**100.0**		**6,630**	**100.0**		**6,048**	**100.0**		**6,236**	**100.0**

Note: N denotes number of client beneficiaries. Source: ABS (2022)

Better service referral mechanisms and service integrations/service alignment may improve the overall level of homelessness. Further funding for Tier 2 services should improve outcomes markedly, but only if there is continuity of investment. It is critical that people living with a disability are afforded critical information in a timely manner and that providers can adequately triage and viably refer service users to the most suited services to ensure better outcomes.

Recommendation 1: Additional transitional investment in the short term

Better transitional funding initiatives are required to ensure the continuity of existing and recently (plausibly defunded/underfunded) Tier 2-like programs and initiatives previously funded through state-based agreements, to ensure continuity of service and to ensure that the social capital generated though longstanding programs is not lost.

Recommendation 2: Scale investment to achieve scheme objectives in the medium term

All stakeholders in the NDIS must be able to determine the appropriate strategy to viably increase their investment in Tier 2 service provisions, beyond transitional funding alone. This investment must acknowledge the pre-existing initiatives that have been underfunded/defunded and the purpose of the NDIS. Viable investment to scale Tier 2 activities to sufficient levels commensurate with the scheme is critical. The provision of greater Tier 2 investment may reduce the transition of some parties to Tier 3 supports.

Recommendation 3: Robust data capture process pertaining to Tier 2

We recommend a strong data capture and disclosure process pertaining to Tier 2 funding that links expenditures to annual intervals at a minimum. While current public data include funding block values and recipients, data pertaining to the aligned year of investment and investment outcomes is essential. Data disaggregation is critical to understanding long term (Tier 2) investment trends and consequently capturing and analysing investments in Tier 2 are critical. The annual expenditures on Tier 2-like activities administered previously by the NDIA and currently administered by the DSS is critical to determining the effectiveness of Tier 2 activities, and to identifying areas of omission.

Analysing the impacts of sector employment, donor revenue and volunteerism on Tier 2 activity types

In this section, we analyse patters of volunteerism, staffing and expenditure associated with disability-focused NFP entities, focused on the provision of supports within one or more Australian jurisdictions. The purpose of these analyses was to establish trends in Tier 1 and Tier 2 supports associated with the delivery of care services.

Formal volunteerism in the disability sector

Volunteering has always been a significant resource to support people with disabilities, particularly in community-based and non-government organisations that provide Tier 2 like supports such as transport, information exchange and social activities. Despite the huge increase in formal, paid support provided through the NDIS, volunteers will continue to be a big part of the disability community, delivering many of the social supports provided to people with.

The overall pattern of volunteering in Australia has fluctuated over time. Between 2006 and 2010, more than 1 in 3 (34%–36%) people aged 18 and over reported volunteering through an organisation in the previous 12 months (AIHW, 2022). In 2019, this decreased to 29%. On the other hand, people providing informal volunteering (unpaid work or support to people living outside their household) in the four weeks prior to the survey increased from 49% in 2010 to 53% in 2019 (AIHW, 2022).

The data strongly suggests that there has been a decline in volunteering between 2020 and 2021 within the NFP sector of approximately 33 percent (ANU, 2021). Research conducted by Biddle and Gray (2021) estimated that the total number of hours of volunteering fell by around 293 million over a 12-month period since COVID. The authors note that this implies that the loss in economic output due to the pandemic would be 16.1 percent higher were losses associated with volunteer reductions included in the analysis, rather than paid work alone (Ibid, 2021).

It is difficult to establish the extent to which this decline is due to reduced community activity levels associated with lockdowns or other regulatory actions in response to the COVID-19 pandemic. It is highly plausible that 'decreased time and opportunity' (AIHW, 2022, ABS 2022) for volunteering resulted in the decline since 2010, while more recent patterns post 2019 are ascribable to the pandemic.

Despite the overall decline, the level of volunteering in the disability services sector has been stable in recent times (2021-2022); in fact, volunteer staff numbers rose within the sector between 2020 and 2021. However, this was largely attributable to a rise in volunteering by staff employed in the disability sector, which occurred at the same time as the loss of casual and ongoing staff. Therefore, it is reasonable to conclude that the disability sector lost a similar proportion of non-staff volunteers as did the broader economy, and the relative stability of volunteering in the sector actually reflects significant pressure on volunteers performing the duties of staff.

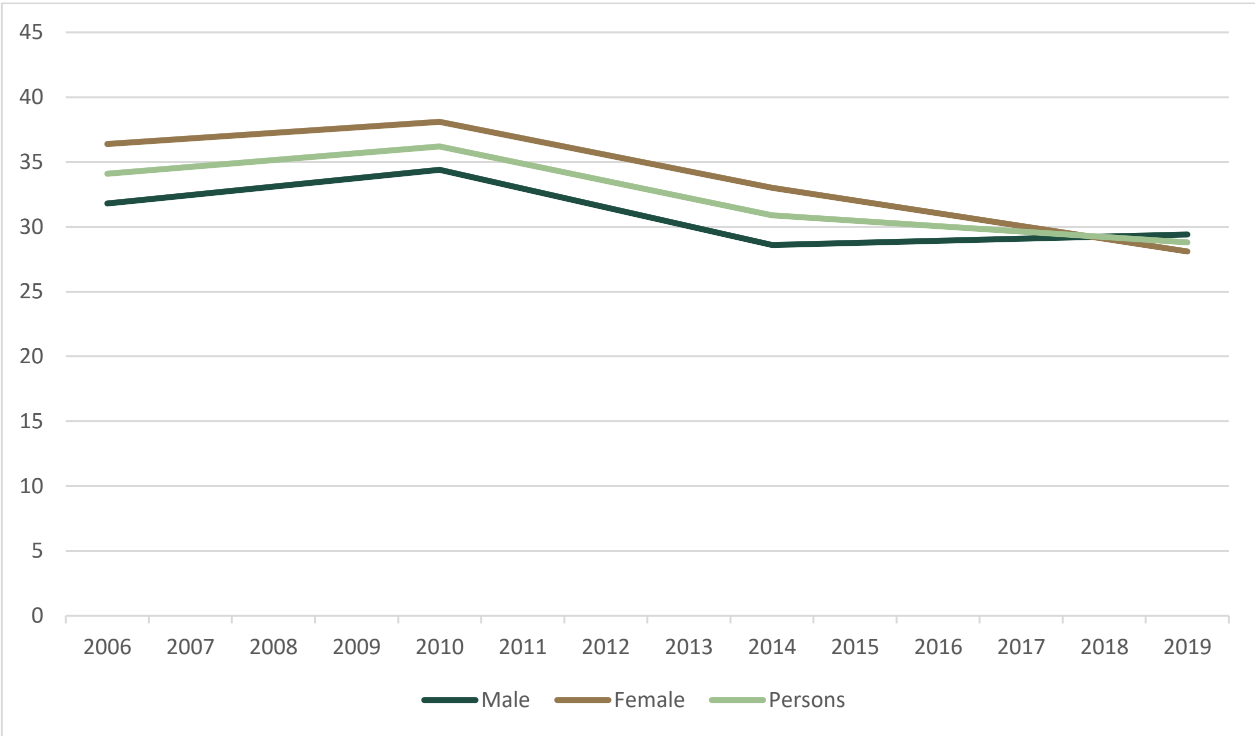
While staff volunteering is admirable it should not serve as an alternative to ongoing, paid employees who ensure the continuity of process and programs, and who are trained to achieve the best outcomes for recipients of support.

The net loss to the sector in employee terms during the pandemic interval was between 276,000 and 527,000 employees, noting that some employment recovered thereafter. It is likely, given the pre-pandemic decline in volunteering, that NFPs will find it increasingly hard to recruit and retain volunteers, putting at risk the provision of many Tier 2 supports or other disability services.

Biddle and Gray (2021) note that while lockdown and social distancing restrictions had eased across Australia by April 2021, many of those who had previously volunteered but had stopped doing so had not returned to volunteering. This may have significant consequences for Tier 2-like programs and activities. The COVID pandemic caused a large economic shock affecting Australian households, and previous patterns of volunteering may not be re-established for some time, if ever.

Data presented by Volunteering Australia indicates that no forms of formal volunteering are 'snapping back' after the lifting of COVID restrictions, with nearly three quarters (72%) of survey respondents saying their volunteer programs were not operational in the manner they were previously. This is critical, suggesting that Tier 2-aligned programs are not operational in their pre-COVID form. Indeed, General Social Survey (GSS) trend data suggest that the capacity for individuals to volunteer in the future is only going to become more difficult, given both time and opportunity, as Australians work amongst the most hours per week on average within the OECD, and are declaring less time for recreation. Per Capita also anticipates some very modest shifts from pure volunteerism to Tier 3 supports, or a shift to paid employment.

Figure 14
Adults engaged in voluntary work formally 2006 to 2020



Source: ABS (2020), AIHW (2020)

While some shift from volunteering to paid employment may be anticipated, and indeed beneficial, a vibrant level of volunteering is essential to community, and the loss of social capital created through volunteering would have negative consequences for many people who benefit from engagement with the services provided by volunteers in the not for profit sector.

It is critical, though, that volunteering is not seen as a substitute for funded Tier 2 activities delivered by professional organisations and paid staff that possess the requisite skills, experience and capabilities to deliver core support services.[13]

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[13] Overall, acknowledging the shift in volunteerism and its impact on Tier 2 is pertinent. Volunteerism has decreased markedly in recent years, and the decline predates the advent of the NDIS. Declines also reflect a reduction in time and opportunity available for recreation and pleasure, social and community interaction. While recent patterns of volunteerism in disability service staff volunteerism evidence greater resilience in category specific volunteerism in comparison to broader volunteerism trends, the longstanding trend across the NFP sector suggests that maintaining adequate volunteer cohorts may be increasingly difficult given both economic and time pressures faced by volunteers. The resultant service shortages may necessitate funding for both a co-ordinated response and to ensure the viable provision of key Tier 2 supports.

Permanent employment with not-for-profit organisations supporting the needs of individuals with disabilities

Employment levels within the NFP sector showed a decline during 2020, though this may be largely attributable to the COVID pandemic. It is assumed that employment levels will return to pre-pandemic levels. Notably the modest increase in category (disability) specific volunteerism, was more than offset by declines in category specific employment and casual employment suggesting that the sector remains in a state of recovery post-pandemic.

Notably, it is difficult to ascertain the extent to which the employment losses pertain to Tier 2 supports, though it is likely a significant proportion, given the underlying funding that is provided through the NDIS for Tier 3 supports. Consequently, there may be a service shortfall associated with Tier 2, unless sector providers employ gains generated from Tier 3 funding to supply Tier 2 supports, or such supports are sufficiently funded by relevant state and federal agencies. A further analysis of funding sources and apportionment is a subsequent segment of the report.

Casual employment with not-for-profit organisations supporting the needs of individuals with disabilities

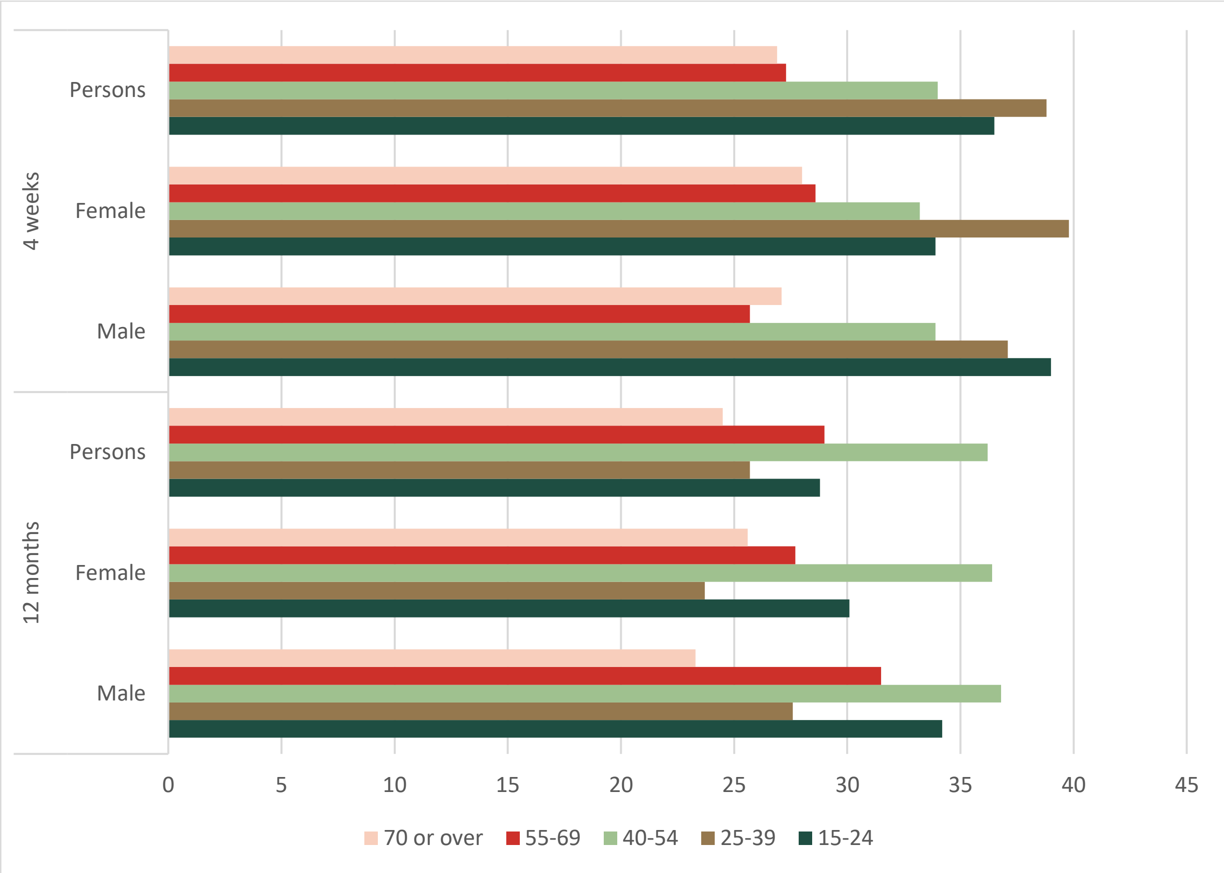
Trends in casual employment between 2019 and 2020 suggest a decline in employment, although further ACNC and ABS data is needed to better understand whether the decline is transient or reflects a shift in sector employment that is more enduring.

Temporary sector specific employment decreased markedly between 2019 and 2020 based on analysis of ACNC data, reflecting similar declines across the entire NFP sector. The total number of casual staff has fallen by 6.27% since 2020. These casual employees play a critical role in the provision of Tier 2 and Tier 3 supports, and it is likely that these declines have resulted in lower levels of support for many.

Patterns in informal volunteering within the community

Examining patterns of behaviour associated with informal volunteering is instructive because informal volunteering supplements or potentially seeks to respond to a dearth in paid or formal volunteer procured services. Informal volunteering for non-familial associates is a significant activity for many Australians. Notably informal volunteering patterns have changed markedly in recent years. Prior to the COVID pandemic there was an apparent decline in informal volunteering to non-familiar associates. However, this has changed somewhat in recent years.

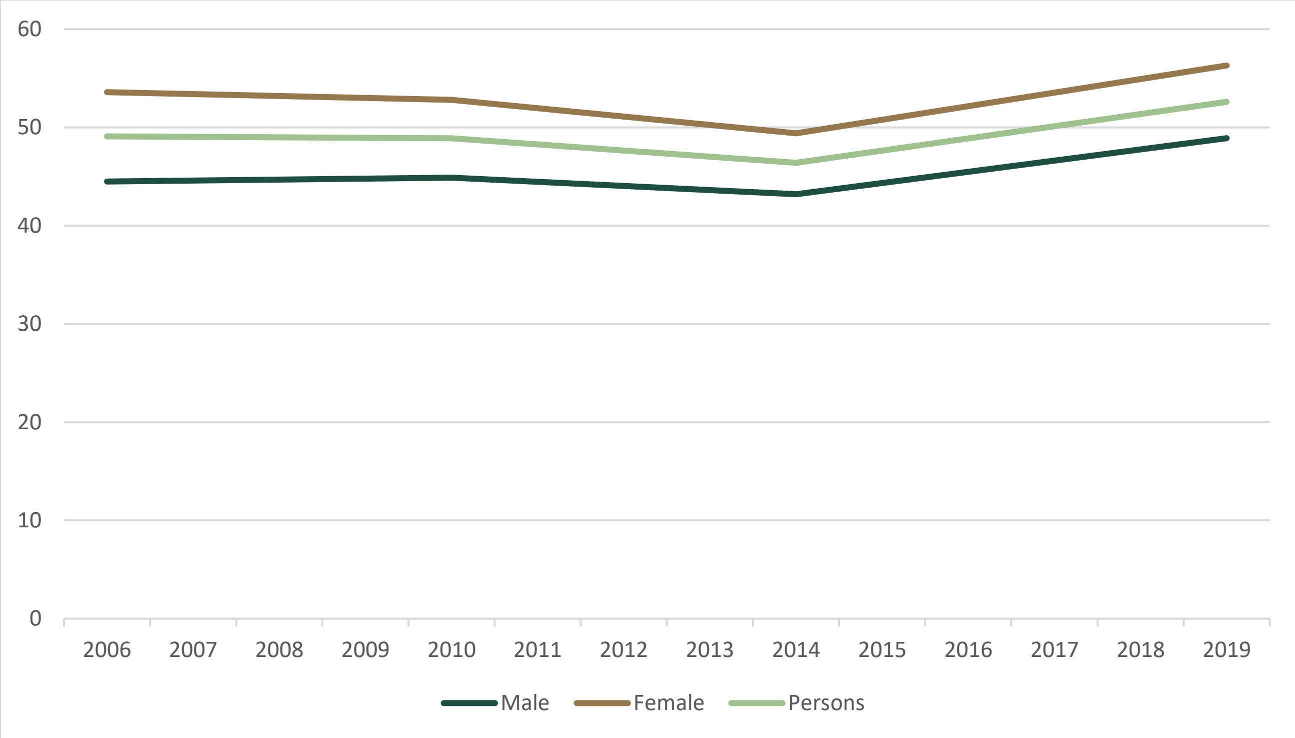
Figure 15
Proportion of people aged 15+ engaging in some voluntary work (formal or informal) in the last 12 months (2019)



Source: ABS 2020, AIHW 2020

Informal volunteering increased between 2020 and 2021, coinciding with a decline in traditional volunteering. The increase in informal volunteering is broad but may reflect some reduction in access to state and federal supports associated with Tier 2 supports, necessitating informal support. The increase in informal volunteering does predate recent shifts in Tier 2 expenditure, although the shift may be partially attributable to the COVID pandemic. While informal volunteering is beneficial and shows some degree of social capital formation and social connectivity, where such volunteering is at the expense of formal volunteering or insufficient to offset the reduction in formal volunteering there may be adverse consequences for recipients of support from formal institutions. Moreover, informal volunteering is not a viable or logical alterative to dedicated service provision and block funded Tier 2-like activities, given the benefits associated with such activities.

Figure 14
Proportion of people aged 18 and above engaging in voluntary work 2006 to 2019



Note: The chart shows the rise in informal volunteering, which has occurred post 2014 has coincided with a significant decline in formal volunteerism. Source: AIHW (2022)

Overall impact of permanent and casual employment, changing patterns of volunteering

The overall patterns of change in employment and volunteering suggest that the disability services sector is facing significant headwinds, with volatility in casual and full-time employees. The modest improvement in volunteerism in staff/line roles does not offset the decline in traditional formal volunteerism. The net loss to the sector in employee terms during the pandemic interval was between 276,000 and 527,000 employees. However, some employment has recovered thereafter. Concerningly, the decline in both casual staff, NFP sector formal volunteerism, and the concurrent decline in donation levels (discussed subsequently) is highly concerning for Tier 2 program delivery, given the reliance of Tier 2 supports on donor funds and transient employees, and formal volunteers.

Recommendation 4: Additional funding for volunteer facilitation

NFP organisations must be funded to provide the necessary supports to volunteers and to involve volunteers in Tier 2 activities. Further funding of Tier 2 supports may be necessary to accommodate the decline in volunteer-led Tier 2 activities, and to facilitate greater participation. The funding of volunteer activity and activity supports should not be at the expense of core Tier 2 funding.

Recommendation 5: Capacity replacement investment in the short term

Beyond funding implicit within Recommendation 1 (Transition) and Recommendation 2 (Scaling), additional capacity replacement funding may be necessary. Given the decline in volunteering and donor funding, as well as the adjustments in both casual and ongoing employment plausibly aligned to Tier 2, many critical Tier 2 supports and associated community connections are in jeopardy.

Additional investment in ILC activities through the expansion of the DSS administered grants program is essential to bring stability to service delivery and maintain valued social supports, and to provide sufficient capacity to the sector after the impact of COVID and recent significant cost of living pressures.

Recommendation 6: Stabilisation of funding provision

Noting the need for additional funding pursuant to Recommendation 1 (Transition), Recommendation 2 (Scaling) and Recommendation 3 (Capacity replacement) it is recommended that increased investment in Tier 2 is made in a stable and consistent manner to reduce the volatility that varied and piecemeal investment in service delivery introduces to provider enterprises and balance sheets. Volatile arrangements erode goodwill, and social capital is often lost as programs that implement effective Tier 2 supports see their investment withdrawn, affecting workers and recipients of care.

Data Adequacy, National Disability Research and the National Disability Data Asset

Addressing data shortages at state and local level

As the research has noted, data about disability investment and outcomes remains largely inaccessible due to divergence in practices amongst data capture and reporting at a local and state level. A recent attempt by the Productivity Commission to reconcile disability services investment at a state and federal level demonstrates this fact (see PC, 2023)[14]. Many of the key data items included in the PC estimate set are from unpublished sources (most likely procured through direct access and requests), and/or estimation techniques.

Per Capita, in conducting the current research, notes that there are several key data items that remain largely unreported, or reported without sufficient consistency and detail. Currently, there is limited time series data presenting Tier 2 funding items at a local (council) and state level.

The efforts of the NDIA, DSS and ABS are laudable, presenting significant and highly relevant data pertaining to Tier 2 investment. State governments and local councils should improve their disclosure practices to ensure the formulation of more informed policy. While the NDDA presents a significant opportunity to capture meaningful data to inform policy, and genuinely improve the experiences of individuals living with disability, key data pertaining to local and state expenditure on disability services, with sufficient granularity to engage in local level analysis is equally important.

The Key Role of the National Disability Data Asset

The emergence of the National Disability Data Asset (NDDA) is encouraging, given the benefits of the future data for policy and service design. State and Territory governments are working closely with the Commonwealth to develop the NDDA. The NDDA seeks to change the approach take to data consolidation by improving data sharing practices for disability relevant data.

The most heartening aspect of the NDDA is its highly collaborative approach to design, including in the co-design process service providers, researchers and people with lived experience of the challenges of navigating support systems.

The Disability Advisory Committee (DAC) is also a key representative body, representing the Commonwealth, states and territories, supporting the overall direction of the NDDA. The value of the asset is immense, providing the most comprehensive picture of services, experiences and outcomes of people with disabilities. The asset will support benchmarking, monitoring and the evaluation of service effectiveness. Critically, the data will support the analysis of factors that enable individuals to contribute to society and live their life to the fullest.

The current constitution of the NDDA committee is notable, given its breadth, experience and diversity. The composition of the NDDA committee is sound and ensures a broad set of critical and representative views pertaining to the role and function of data usage in supporting better learnings, research and insights into the

[14] Note the process to derive a single investment (described as expenditure therein) series (government disability expenditure) involved the use of several unpublished and published sources. Consider the source statement; State and Territory governments (unpublished); Australian Government Department of Social Services (unpublished); Australian Bureau of Statistics (ABS) 2022, 'Table 36: Expenditure on Gross Domestic Product (GDP), Chain volume measures and Current prices, Annual' [time series spreadsheet], Australian National Accounts: National Income, Expenditure and Product, June 2022, https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/jun-2022, accessed 8 September 2022.

experience individuals living with disabilities. As noted, and for emphasis, several key data assets that are highly relevant do not apply to expenditures at an individual level. Capturing these critical data items, pertaining to Local (Council), and State investments in information, referral, learning and other group-based services will inform our understanding of the adequacy of such supports.

Role of Councils and the States pertaining to Tier 2 investment data

State and federal governments have a key role to play in the constitution of the NDDA, and in the provision of data necessary to ensure the program's success. Presently, several critical data items pertaining to investment in Tier 2 like services, and disability expenditure generally are not broadly available to disability sector organisations, and this affects the quality of research and analysis of investment benefits, impact and outcomes.

Significant progress has been achieved in improving the structure and nature of NDIS reporting, which is laudable, and further data is earmarked for release that will inform critical policy and research. However, while DSS and NDIS reporting has achieved notable progress, State and Local (Council) data on Tier 2 lacks sufficient granularity to assess and quantify utilisation, and there remains little by way of Tier 2 block funding aligned outcomes data (information services, program provisions, Tier 2 aligned activity/participation data) and such data must be collected or released.

Reporting at a local (council) level does not provide data with sufficient granularity to interrogate key sub-category level trends and ascertain the nature and extent of council expenditure of disability associated services and other ancillary benefits programs utilised by individuals that are disabled that are not within the NDIS. Consider the current classification method within Appendix 3. Currently, accessing data on disability expenditure at a local level with sufficient frequency would require the standardisation of reporting associated with all local councils and the capture of data at a more granular level than it is currently presented within the operating statements of council entities.

At the state and federal level, the NDDA is a step in the right direction, with a capable model and committee, and promising preliminary pilot project results. Care must be taken to ensure that any new data capture process adequately accounts for the experiences of the 4 million individuals with a disability that are not within the NDIS.

Recommendation 7: More granular data provision at Local (Council) level

It is essential that council level data in alignment with existing expenditure reporting frameworks be reported with sufficient detail to disentangle high level expenditure categories. Present reporting requirements are that councils only report to 10 high level categories, know as functional purposes, and associated sub-categories, making the analysis of category specific expenditure untenable[15]. Reforms to reporting practices and data sharing rules would inform disability and service delivery policy and support probity and transparency.

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[15]The classification of expenditure in ABS publications and datasets is based on a system of classification developed by the OECD that splits expenditure by government into 10 functional categories under the "Classifications of the Functions of Government" (COFOG). The first level of the 10 functional purposes include, General public services, Public order and safety, Economic affairs, Environmental Protection, Housing and community amenities, Health, Recreation, culture and religion, Education, Social Protection, Transport. The category that incorporates disability expenditure is Social protection and is further segregated into 10 sub levels including Sickness and disability, Old age, Survivors, Family and children, Unemployment, Housing, Social exclusion n.e.c., R&D, social protection, Social protection (including natural disaster relief), Social protection n.e.c. Detailed expenditure on Disability is not reported separately by councils beyond their financial reports and reporting to relevant state departments. State departments responsible for local government data furnish this data to the ABS.

Recommendation 8: Provision of State level disability services investment data

It is necessary that state agencies report on specific expenditures and investments made in to Tier 2 supports, to enable informed assessment and informed policy decision-making in how resources are allocated between the different tiers of the NDIS. More granular program outcomes data is necessary to inform Tier 2 program design and to ensure the viable use of program funding. Both the funding uncertainty, volatile nature of funding and lack of published outcomes data makes the development of sound and useful services challenging.

Conclusion

While the NDIS and its benefits are largely discussed in the context of individual Tier 3 funding packages, the role of Tier 2 supports must not be undervalued.

These supports are essential for building sector and community capacity to support individuals within the NDIS and those that are not within the scheme. Supports are also necessary to ensure that people living with disabilities can engage fully with the community. Yet investment in ILC continues to be modest in comparison to LAC investment and individualised funding: Tier 2 investment constitutes less than one percent of overall program funding, so even a small increase in funding would yield significant benefits.

It is highly likely that sharp declines in charitable volunteering have resulted in a reduction of ILC style activities. These declines predate the recent rounds of ILC investment, meaning that the recent rounds of investment are occurring at a time when the sector is shedding volunteers, and consequently social capital, community connections, and programs/activities.

While the modest increase in sector-specific staff volunteering (2019 to 2020) may be perceived as a sign of resilience at a time when the sector was facing significant headwinds, it also highlights the sector's reliance on volunteer employees. Moreover, the modest recent increase in staff volunteering does not offset the significant decline in charitable volunteering since the onset of COVID-19.

A significant reduction in casual employment is observed within the sector, based on the most recently available ACNC datasets. While some of this decline is likely due to the pandemic, it is further evidence of a reduction in the human capital available within the sector to deliver Tier 2/ILC type programs and initiatives.

Changes in full time employment demonstrate a degree of historic turnover and COVID-specific effects: the sector appears still to be adjusting to the impact of the pandemic. While employment aligning to Tier 3 funding is likely to remain strong, it is uncertain whether job losses aligned to non-Tier 3 supports (Tier 2/ILC style programs and activities) will return as rapidly or at all.

Donor revenues have also declined based on the most recent data available from the ACNC. As donor revenues flow largely to program delivery and information services, this will place further pressures on the future delivery of such services. Cost of living pressures may also cause many former volunteers to discontinue charitable activity, as they are forced to take on more hours of paid work.

As noted by the Productivity Commission in 2017:

> *The interface between the NDIS and other disability and mainstream services is critical for participant outcomes and the financial sustainability of the scheme. Some disability supports are not being provided because of unclear boundaries about the responsibilities of the different levels of government. Governments must set clearer boundaries at the operational level around 'who supplies what' to people with disability, and only withdraw services when continuity of service is assured.*

As such, the likely impact of the noted declines in volunteering, increased volatility in donations, and the reduction of Tier 2 grant provisions puts service continuity at significant risk.

The unevenness of grant provisions in a time of immense uncertainty, and the modest investment in Tier 2 service aligned grants, is a genuine source of concern for the disability sector. For both Tier 1 and Tier 2, the Productivity Commission expected that the population of potential participants would be very high, but the overall costs would be small.

Tier 2 was also to serve as a form of early intervention by reducing the possibility that Tier 2 participants would move to a full Tier 3 support package as their disability progresses. Therefore, under-investment in Tier 2 may give rise to greater Tier 3 expenditures in the future.

The decline of Tier 2 services has led Professor Bruce Bonyhady (2021) to comment that the NDIS has become an *"oasis in the desert"*, with those not within the scope of the scheme left with inadequate support (see Jervis Harty 2021).

As the transition from federated supports to a more viable integrated model continues, ensuring the continuity of existing Tier 2 supports and investing in future Tier 2 activities will be essential to ensuring a thriving, broad-based disability services sector, that can ensure that all people with disabilities receive the support and services they need to participate fully in society. This was, after all, the guiding vision of the NDIS as it was originally conceived.

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Appendix 1 - Large ILC (and other relevant) Grants Reviewed

The following list is a (non-exhaustive) summary of the major grants reviewed in conducting this analysis:

- 2016 – 2017 Round 1 ILC Jurisdictional Based Grants ACT
- 2016 – 2017 Round 1 ILC National Readiness Grants
- 2017 – 2018 Round 2 ILC National Readiness Grants
- 2017 – 2018 Round 2 ILC Jurisdictional Grants ACT, NSW and South Australia
- 2018 ILC Rural and Remote Grant Round
- 2018 Disabled People and Families Organisations (DPFO) grant round
- 2019 Economic Participation of People with Disability grant round
- National Information Program grant round
- Individual Capacity Building Program grant round
- Exceptionally Complex Support Needs Program
- Economic and Community Participation grant round
- Mainstream Capacity Building grant round
- Partners in the Community (PITC) New South Wales grant round
- Economic and Community Participation (ECP) – Building Employer Confidence in Disability and Inclusion (BEC) 2021-22 grant round
- ECP – Economic Participation (EP) 2021-22 grant round
- ECP – Social and Community Participation (SCP) 2021-22 grant round
- ICB 2020-21 grant round
- ILC Funded Activities Deemed Suitable for an Extension of Time and Additional Funding 2022-2024

Appendix 2 – Selected Tables summarising term of supports, and client access numbers to homelessness services

Table A1

Specialist Homelessness Services (SHS) clients, by length of support and average number of support periods and services, and disability status, 2019–20

	With disability—severe or profound[(a)]	With disability—other disability status[(b)]	All with disability[(c)]	Without disability[(d)]	Missing/ don't know	Total[(e)]
Length of support (median number of days)	*86*	*70*	*74*	*45*	16	43
Average number of support periods per client	*2.4*	*2.7*	2.6	1.7	1.2	1.7
Average number of services provided per client	*10.0*	*10.4*	10.3	7.1	3.1	7.0
Average number of services needed per client	*13.2*	*14.2*	13.9	9.2	4.0	9.2

(a) Severe or profound disability refers to clients who always or sometimes require assistance with one or more core activities.

(b) Other disability status refers to clients who have difficulty with core activities but no need for assistance; or who do not have difficulty but use aids / equipment with core activities.

(c) Disability refers to limitation in core activities only—self-care, mobility, and / or communication. This includes clients who: always / sometimes need help and / or supervision; have difficulty but don't need help / supervision; and don't have difficulty but use aids / equipment.

(d) May include clients who have disability but no core activity limitation.

(e) Disability status was not stated / inadequately described for 25,077 SHSC clients.

Note: If the support period start or end dates are outside of the reporting period, total days are calculated using a start date of the 1 July and an end date of the 30 June of the financial year.

Source: Specialist Homelessness Services Collection (SHSC) 2019–20. ABS (2022)

Table A2

Specialist Homelessness Services (SHS) clients, by service provision status, and disability status, 2019–20

Service provision status	With disability(a)	Without disability(b)	Missing/ don't know	Total
All required services and assistance provided	7,200	103,381	15,901	126,482
Some required services and assistance provided	14,915	130,148	6,898	151,961
No required services and assistance provided(c)	642	9,099	2,278	12,019
Total	**22,757**	**242,628**	**25,077**	**290,462**
All required services and assistance provided	31.6	42.6	63.4	43.5
Some required services and assistance provided	65.5	53.6	27.5	52.3
No required services and assistance provided(c)	2.8	3.8	9.1	4.1
Total	**100.0**	**100.0**	**100.0**	**100.0**

(a) Disability refers to limitation in core activities only—self-care, mobility, and / or communication. This includes clients who: always / sometimes need help and / or supervision; have difficulty but don't need help / supervision; and don't have difficulty but use aids / equipment.

(b) Includes clients who have disability but no core activity limitation.

(c) Includes clients for whom services were: referred only; not provided or referred.

Source: Specialist Homelessness Services Collection (SHSC) 2019–20. ABS (2022)

Appendix 3 – Purposes and Sub-categories of expenditure at a Local Government level

Table A3
Primary (Functional) Purpose Categories

General public services
Public order and safety
Economic affairs
Environmental Protection
Housing and community amenities
Health

Recreation, culture and religion
Education
Social Protection
Transport

Note - Subcategories for Health and Social Protection are detailed in the subsequent tables

Table A4
Secondary Purpose Categories

Health	**Social Protection**
Medical products, appliances and equipment	Sickness and disability
Outpatient services	Old age
Hospital services	Survivors
Mental health institutions	Family and children
Community health services	Unemployment
Public health services	Housing
R&D health	Social exclusion n.e.c.
Health n.e.c.	R&D social protection
	Social protection (including natural disaster relief)
	Social protection n.e.c

Note – The ABS does not presently publish data pertaining to Local government expenditure at the sub category level.

Appendix 4 – Additional Charts