

Employer Strategies to Increase Disability Employment in Australia

EXECUTIVE SUMMARY

The Problem

This paper examines why people with disability continue to experience significantly higher unemployment rates than other Australians, a gap that has persisted across successive program cycles, and what employer-focused strategies are most likely to close it. Drawing on international evidence, systematic reviews, and Australian policy developments, the paper argues that demand-side constraints are the central problem: the systems, incentives, and relationships needed to connect employers confidently and sustainably with people with disability have not yet been built at the scale required. The paper is released at a pivotal moment, as Australia's new Inclusive Employment Australia (IEA) program, which replaced Disability Employment Services on 1 November 2025, is implemented across Australia.

Key Findings

The Persistent Employment Gap

- ◆ **Scale:** Australians with disability experience an unemployment rate approximately twice that of people without disability. Comparatively, across 32 OECD countries, the employment rate gap was 27 percentage points in 2022, failing to shift over the preceding decade.
- ◆ **Primary constraint identified in the evidence:** International evidence points to demand-side constraints as a central barrier: employer uncertainty about productivity, accommodation costs, legal obligations, and management complexity, not the capabilities of workers with disability.
- ◆ **System orientation:** Australia's employment services architecture has remained heavily supply-side, focused on preparing jobseekers rather than transforming employer behaviour and workplace conditions.

What the International Evidence Shows Works

- ◆ **Intermediaries that go beyond placement:** Systems that fund providers to coach supervisors, facilitate workplace adjustments, provide job carving expertise, and build employer capability produce more durable outcomes than those that treat providers primarily as placement agencies.
- ◆ **Business-case framing:** Employer engagement literature consistently finds that productivity, retention, and workforce strategy arguments are more effective motivators than compliance-based approaches. A systematic review found positive accommodation outcomes in the majority of studies, including improved retention (89%), productivity (72%), and attendance (56%).
- ◆ **Wage subsidies and adjustment funding:** These are most effective when sufficient to offset real costs, simple to navigate, and linked to ongoing in-employment support. Australia's Employment Assistance Fund (EAF) and IEA wage subsidy provide a reasonable financial foundation, but SME uptake remains low due to cashflow barriers and low awareness, with a 2023 JobAccess survey finding 60% of Australians unaware that workplace adjustments exist.
- ◆ **Customised employment:** Emerging randomised control trial evidence from the US and Spain finds participants in customised employment are significantly more likely to secure competitive, integrated employment than those in standard placement. While the evidence base continues to develop, findings are broadly consistent across study designs.

What the Evidence Shows Does Not Work at Scale

- ◆ **Mandatory quota systems:** Consistently fall short of target levels without strong enforcement and do not in themselves change workplace culture.
- ◆ **Anti-discrimination legislation:** Establishes important legal rights but evidence suggests it does not, on its own, change employer capability or produce measurable improvements in disability employment rates.
- ◆ **Voluntary accreditation schemes:** Evidence on UK schemes (Two Ticks, Disability Confident) shows certified employers are no more likely to employ people with disability, with disabled employees in certified organisations reporting no better workplace experience. The design failure is self-assessment with no independent verification. The paper does not reject accreditation outright, it finds accreditation is more likely to drive outcomes when linked to procurement advantage, subject to external validation, and tied to meaningful performance reporting.
- ◆ **Time-limited pilots without governance:** Promising pilot outcomes do not produce durable system change without formal accountability structures and industry co-investment that survive the funding cycle.

Additional Issues

- ◆ **Cohort differentiation matters:** Effective interventions differ substantially across disability types. For example, IPS for psychosocial disability, long-term job coaching for intellectual disability, structured onboarding for autistic workers, and early intervention within six weeks for acquired disability.
- ◆ **Retention is underserved:** Australia's system is oriented toward getting people into jobs. Workers who acquire disability in employment, a growing share as the workforce ages, are largely outside the system's design logic. Mechanisms such as graded return-to-work, employer financial stakes in reintegration, and manager training have meaningful international evidence but limited Australian application.
- ◆ **Benefit cliff interactions:** Disability Support Pension taper rates and income support rules create financial disincentives to employment, particularly for people with episodic conditions. Disability employment reform cannot be fully effective if it operates in isolation from income support policy.
- ◆ **IEA is too new to evaluate:** No independent outcome data yet exists for IEA, and the extent to which its structural design changes will produce different outcomes than its predecessor remains to be seen.

Implications for the Sector

For Providers

- ◆ IEA providers hold established relationships with thousands of employers across Australia, a significant underutilised asset. Current outcome-based funding and placement-volume incentives can undermine sustained employer partnerships. Research finds providers have progressively reduced employer contact over time; with competitive retendering exacerbating this by disrupting accumulated trust and local knowledge at each procurement reset.

For Participants and Jobseekers

- ◆ People with disability in program-based employment support are better served by providers who function as employer partners, not just placement intermediaries. Cohort-differentiated support, particularly for people with psychosocial disability, intellectual disability, and acquired disability, would materially improve outcomes. Benefit system interactions need to be addressed alongside employment services reform.

For Government and Commissioning

- ◆ Formal APS disability HR disclosure remains below the 7% target (5.8% as at June 2025), although anonymous census self-identification is considerably higher (12.5%), suggesting the gap reflects disclosure and workplace culture issues rather than representation alone. National Partnership Agreements offer an underexplored mechanism to extend accountability to state public sectors. Social procurement frameworks at Commonwealth level, with specific measurable obligations and independent verification, could create genuine commercial incentives at a scale voluntary programs cannot reach. Contracting model design, not just program content, will determine whether IEA produces different outcomes than DES.

Recommendations and Options

The paper identifies five core reform directions, supplemented by a recommended independent evaluation of IEA. All are mutually reinforcing, building from government leadership outward to the broader economy. None requires new program framework, all build on what already exists.

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| 1. Government as the First Employer of Choice | Close the APS disability disclosure gap through proactive recruitment, visible executive accountability, and culture change, not targets alone. Explore National Partnership Agreements to extend disability employment accountability and incentives to state public sectors. |
| 2. Resource IEA Providers to Build Employer Capability | Structure IEA contracts and funding to support providers to deliver job coaching, job carving, and supervisor engagement, not just placement volume. Assess whether the competitive retendering model is compatible with the sustained employer relationships the evidence shows are essential. |
| 3. Convert Sector Pilots into Durable Compacts | The Career Pathways Pilot provides proof of concept. Explore formal sector compacts, with governance, public reporting, industry co-investment, and IEA integration, in sectors where employer willingness and job volume already exist (retail, logistics, aged care, hospitality, technology). |
| 4. Use Social Procurement as a Commercial Lever | Develop a national social procurement framework applied to Commonwealth contracts, with specific measurable disability employment obligations, supply chain requirements, and independent verification. Victoria and South Australia provide working domestic models. |
| 5. Simplify Pathways for Every Employer | Reform the EAF's reimbursement-after-purchase model with pre-approved funding pathways, faster processing, and direct supplier payment for larger modifications. Develop differentiated SME support, digital tools, plain-language legal guidance, and locally available intermediary support, distinct from large employer engagement. |
| 6. Commission an Independent IEA Evaluation | Commission an independent (not in-house) evaluation within two years of IEA commencement, examining employer engagement quality, provider behaviour toward high-complexity cohorts, CIE uptake, and sustained employment rates. |

Conclusion

Australia already possesses much of the infrastructure a coherent employer engagement strategy requires. The opportunity is to connect these elements more deliberately, resource them more appropriately, and hold them to account more consistently. The five reform directions identified in this paper are mutually reinforcing and do not require new program framework. They do require political will to close the gap between existing infrastructure and its potential: to ensure government leads by example, providers are funded to build lasting employer capability, sector relationships move from pilots to durable compacts, procurement creates real commercial incentives, and every employer, including the smallest, can navigate the system confidently.