

NDIS & Inclusive Employment Australia: Making the Interface Work



EXECUTIVE SUMMARY

The Problem

Australia's two principal disability employment mechanisms, the National Disability Insurance Scheme (NDIS) and Inclusive Employment Australia (IEA), which replaced Disability Employment Services (DES) in November 2025, have long operated as disconnected systems, with serious consequences for people with disability who want to work. Only **23%** of working-age NDIS participants were in paid employment as at June 2024,¹ with only 25% of this cohort employed in open employment at full award wage.² For NDIS participants with neurological or psychosocial disabilities, employment rates fall as low as 7-17%.³ The NDIS's original modelling assumed improved employment would partially offset scheme costs, an assumption that has not been realised.⁴

Why the Interface Has Failed

Despite sitting within closely related Commonwealth policy systems, the NDIS and DES often operated as poorly connected and fragmented systems.⁵ Five structural failures drove poor outcomes:

- **No shared data**, providers on each side lacked visibility of what the other system funded, forcing people to tell their story repeatedly.
- **Role confusion**, unclear boundaries led to duplication or, more often, both systems stepping back and leaving prospective participants unsupported.
- **Incompatible time limits**, DES's two-year limit for engaging in the program was too short for many NDIS participants with complex disability to develop work-readiness, stabilise in a role, and demonstrate sustainable outcomes.⁶
- **Pathway barriers**, many NDIS participants without mutual obligations had no routine referral pathway into specialist employment services, and income support rules created additional disincentives to attempt work.
- **Systemic cultural disconnect**, different IT systems, program rules, and staff cultures, with limited cross-system knowledge or aligned approaches.

DES's overall results reflected these failures. Before the 2018 reforms, only about 25% of DES participants achieved employment lasting 26 weeks or more, despite the program costing approximately \$1.4 billion per annum by 2021.⁷

¹ National Disability Insurance Agency (NDIA), Supported Employment Survey Report, March 2025. Available at: <https://www.ndis.gov.au>.

² Australian Institute of Health and Welfare (2026). *NDIS Participants in Full Award Wage Employment*. Australia's Disability Strategy 2021–2031 Outcomes Framework. For 2025–26 Q2. Updated April 2026. Available at: <https://www.aihw.gov.au/australias-disability-strategy/outcomes/employment-and-financial-security/ndis-participants-in-full-award-wage-employment>

³ National Disability Insurance Agency (NDIA). *Employment Outcomes for NDIS Participants as at 31 December 2022*. Published March 2024. Available at: <https://dataresearch.ndis.gov.au/media/3953/download?attachment=> [Note that participants aged 15–24 in this cohort have the baseline of 9–17%; whereas those aged 25 and over have baseline employment levels of 7–15%].

⁴ Centre for Research Excellence in Disability and Health (CRE-DH), University of Melbourne, Exploring the Interface of the National Disability Insurance Scheme and Disability Employment Services: The influence on employment outcomes for Australians with disability, August 2020. Available at: https://disability.unimelb.edu.au/_data/assets/pdf_file/0004/3490267/NDIS-DES-Research-Report-3-September-2020.pdf

⁵ Centre for Research Excellence in Disability and Health (CRE-DH), University of Melbourne, Exploring the Interface of the National Disability Insurance Scheme and Disability Employment Services: The influence on employment outcomes for Australians with disability, August 2020. Available at: https://disability.unimelb.edu.au/_data/assets/pdf_file/0004/3490267/NDIS-DES-Research-Report-3-September-2020.pdf

⁶ Team DSC, Inclusive Employment Australia: A New Direction for Disability Employment Services, updated August 2025. Available at: <https://teamdsc.com.au/resources/inclusive-employment-australia-a-new-direction-for-disability-employment-services>

⁷ Devine, A, et al., 'Australia's Disability Employment Services Program: Participant Perspectives on Factors Influencing Access to Work', *International Journal of Environmental Research and Public Health*, 18(21), 2021. Available at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8582653/>

What IEA Changes, and What It Doesn't

IEA introduces meaningful structural reforms: the **removal of time limits**; **expanded eligibility** to allow 0–7 hours work per week and voluntary participants not on Centrelink payments; a **tiered service model**; a **\$10,000 employer wage subsidy**; and a **Centre for Inclusive Employment**. The removal of time limits alone is a significant reform for people with significant disability.⁸

However, IEA does not resolve the deeper interface challenges. The two systems remain under **different legislation, different IT, and different governance structures**. Following the transfer of the NDIA into the Health, Disability and Ageing portfolio, coordination now requires deliberate cross-portfolio governance that does not yet exist. There is still no shared data infrastructure, and much of the coordination burden falls on participants and their support networks, particularly those least able to carry it.

What the Evidence Shows Works

The strongest international evidence points to **Individual Placement and Support (IPS)**: an integrated model that embeds employment support within disability or clinical support teams rather than running parallel to them. IPS achieves competitive employment rates of **40–60%** for people with serious mental illness, compared with 20–25% for traditional vocational rehabilitation.⁹ The NDIA identifies IPS as having the strongest evidence base for people with psychosocial disability.¹⁰ Australia's own NDIS/DES Pathways Pilot confirmed that even modest, deliberate investment in the connection point between systems increases participant engagement with employment services.¹¹ The consistent lesson, internationally and domestically, is that the interface functions more effectively when it is **deliberately designed**, not assumed. Further, broader labour market conditions, including employer demand and regional job availability also shape employment outcomes regardless of system design.

Pending Risks: NDIS Budget Reform

The Government's *Securing the NDIS for Future Generations* plan (April 2026) poses serious risks to employment pathways.¹² Reported reform projects suggest up to **160,000 participants** may exit the NDIS, and average per-participant spend is targeted to fall from \$31,000 to \$26,000.¹³ The proposed reductions to capacity building and community participation funding, the NDIS categories most linked to employment preparation, begin as early as **1 October 2026**.¹⁴ If participants lose the therapy, skill development, and support that enables work-readiness, IEA cannot compensate. Some costs may shift to families, health systems, and welfare supports. There is also a displacement risk within IEA: an influx of less-complex participants may create market pressures that disadvantage harder-to-reach NDIS participants, a dynamic familiar from DES.

⁸ Department of Social Services (DSS), Inclusive Employment Australia. Available at: <https://www.dss.gov.au/inclusive-employment-australia>

⁹ Bond, G.R. et al., 'An Update on Individual Placement and Support', *World Psychiatry*, 19(3), 2020. Available at: <https://pmc.ncbi.nlm.nih.gov/articles/PMC7491619/>. See also Mascayano, F., & Drake, R.E., 'Supported Employment as a Global Mental Health Intervention', *Global Mental Health (Camb)*, 2024, 11:e102. Available at: <https://pmc.ncbi.nlm.nih.gov/articles/PMC11504922/>. See also Whitworth, A. et al., 'Individual Placement and Support (IPS) Beyond Severe Mental Health: An Overview Review and Meta-Analysis of Evidence Around Vocational Outcomes', *Preventive Medicine Reports*, 2024. 43:102786 Available at: <https://pmc.ncbi.nlm.nih.gov/articles/PMC11225006/>.

¹⁰ National Disability Insurance Agency, 'Interventions to Support Economic Participation and Employment', Research and Evaluation. Available at: <https://www.ndis.gov.au>

¹¹ Department of Social Services (DSS) and National Disability Insurance Agency (NDIA). NDIS/DES Pathways Pilot Closure Report. Unpublished. Compiled 30 May 2025. [The DSS website confirms the pilot concluded and outcomes data were collected to inform future disability employment reforms: <https://www.dss.gov.au/disability-employment-reforms/national-disability-insurance-scheme-disability-employment-services-pathways-pilot>]

¹² Australian Government, *Securing the NDIS for Future Generations*, last updated 14 May 2026. Available at: <https://www.health.gov.au/securingtheNDIS>

¹³ Australian Government (2026). Budget Paper No. 1: Budget Strategy and Outlook 2026–27. Circulated by the Honourable Jim Chalmers MP, Treasurer of the Commonwealth of Australia. Tabled 13 May 2026. Available at: https://budget.gov.au/content/bp1/download/bp1_2026-27.pdf

¹⁴ Butler, M. (Hon Mark Butler MP, Minister for Health and Ageing, Minister for Disability and the National Disability Insurance Scheme) (2026). Speech- National Press Club: Securing the NDIS for Future Generations. 22 April 2026. Australian Government, Department of Health, Disability and Ageing. Available at: <https://www.health.gov.au/ministers/the-hon-mark-butler-mp/media/minister-butler-speech-at-the-national-press-club-22-april-2026>

Recommendations

- Build a **shared consent-based data infrastructure/interface** so IEA providers can see participants' NDIS plan goals, and NDIS planners understand what IEA provides
- Establish a **funded employment gateway role** within the NDIS, through a 'Vocational Discovery' line item or expanded Local Area Coordination/support coordination, to actively bridge participants across both systems
- Adopt **IPS integration principles** at the interface: team-based planning between IEA providers and NDIS supports (not ad hoc referrals) with the Centre for Inclusive Employment making this a core training focus
- Explicitly **protect employment-related NDIS capacity building supports** from budget reductions, including communication therapy, social skills, supported transport, and assistive technology for work
- Invest in **governance structures that achieve greater cross-program coordination across relevant portfolios including:**
 - leveraging a disability employment-specific sub-focus (as part of broader employment services local governance reform led by DEWR) that bring employment service providers, NDIS providers, employers, and community organisations together in specific localities and
 - Establishment of a cross- agency Secretaries' Committee (DEWR, DSS, Health and Treasury) to achieve NDIS cost-savings while strengthening disability employment outcomes within the context of the Government's White Paper on Employment and broader productivity agenda
- Design **foundational supports with employment explicitly in scope**, co-designed with IEA and with people with disability, with direct transition pathways into IEA
- Establish ongoing, resourced **co-design mechanisms** with people with disability, including those with intellectual and psychosocial disability, to identify where the interface is, and is not, working
- Commission a **systems analysis** and systematic **evaluation of the interface itself**, not just individual program outcomes, through data linkage, business process mapping, longitudinal tracking, and provider surveys.