

Implementation of the NDIS: macroeconomic impacts

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Modelling the National Disability Insurance Scheme

Expenditure

- \$22 billion
- Replaces \$11 billion of existing expenditure
- Net increase \$11 billion

Timing

- Expenditure on disability services to double over 3 years

Clients

- NDIS will support 460,000 people when fully implemented
- Clients and families choose how to spend money on registered service providers

Economic Impacts

- Increase participation
- Change composition of economic activity
- Market-based activities impact on productivity: NOT YET

Modelling identifies:

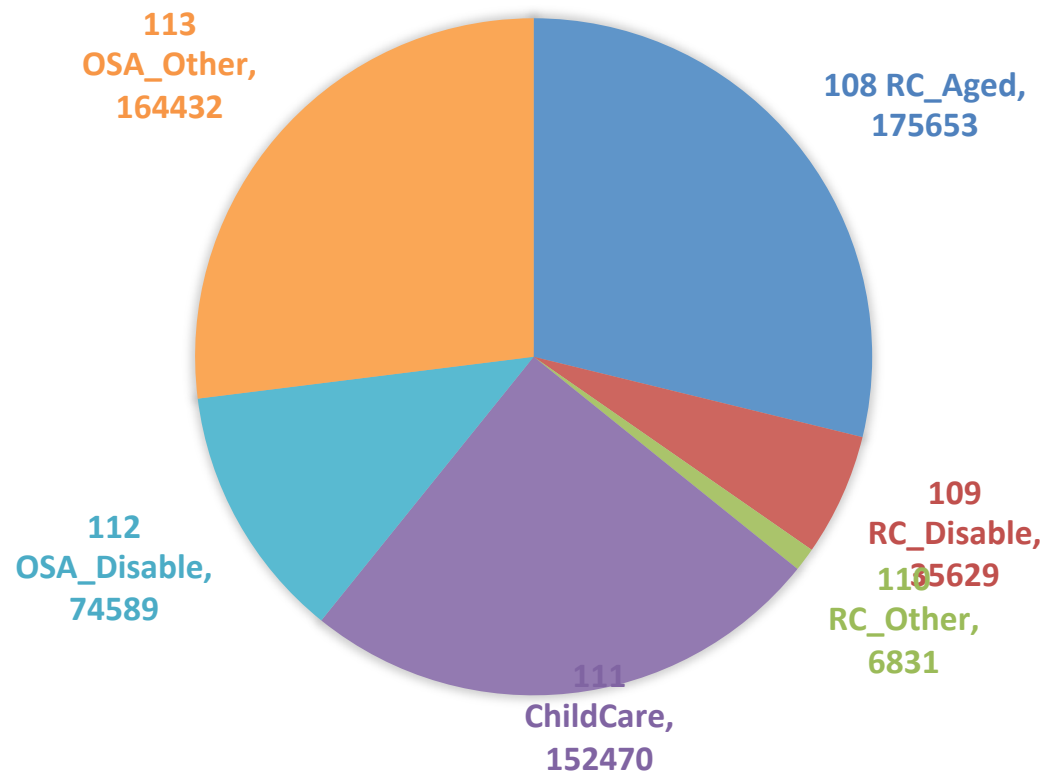
- Overall economic impact
- Impact of capacity constraints in implementation phase
- Market pressures

The model

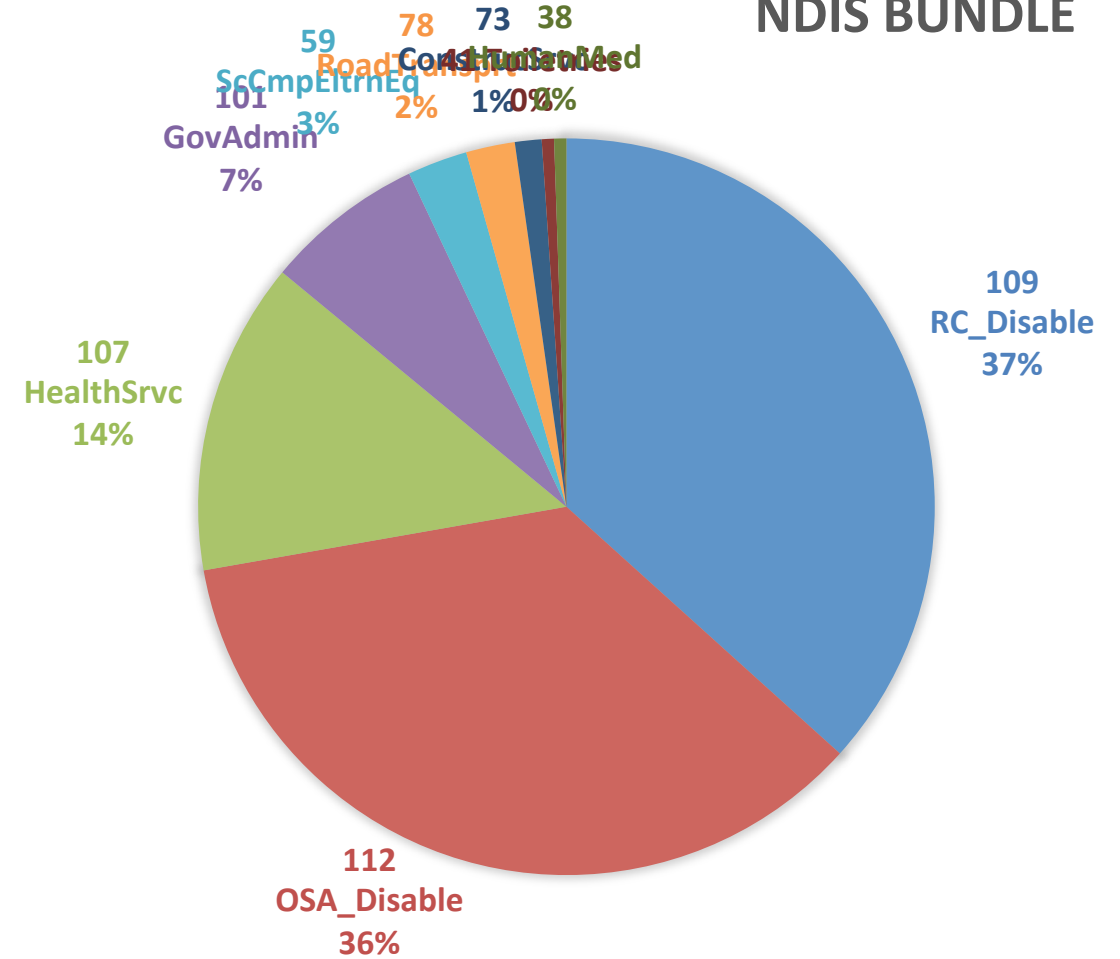
- VU National model
- Separate disability service provision industries and dummy NDIS activity
- Detailed labour market

NDIS in VU model

RESIDENTIAL CARE AND SOCIAL ASSISTANCE SPLIT



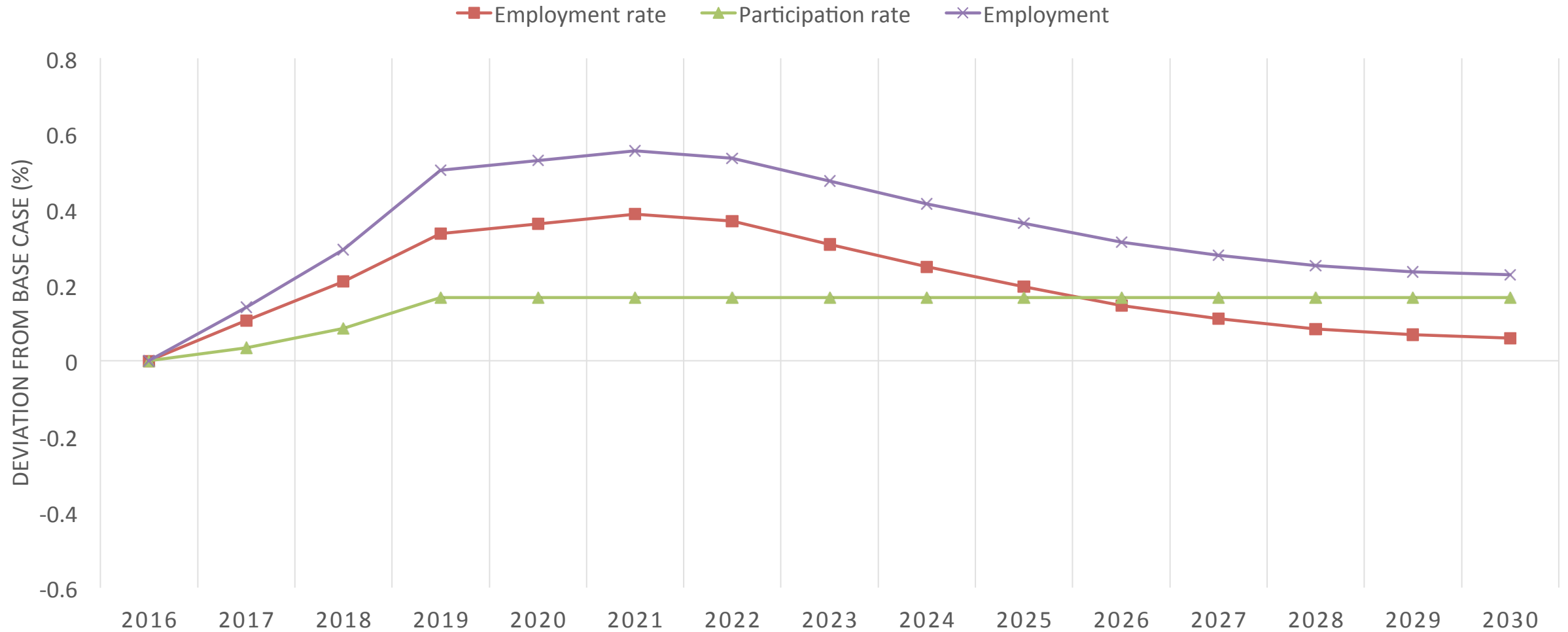
NDIS BUNDLE



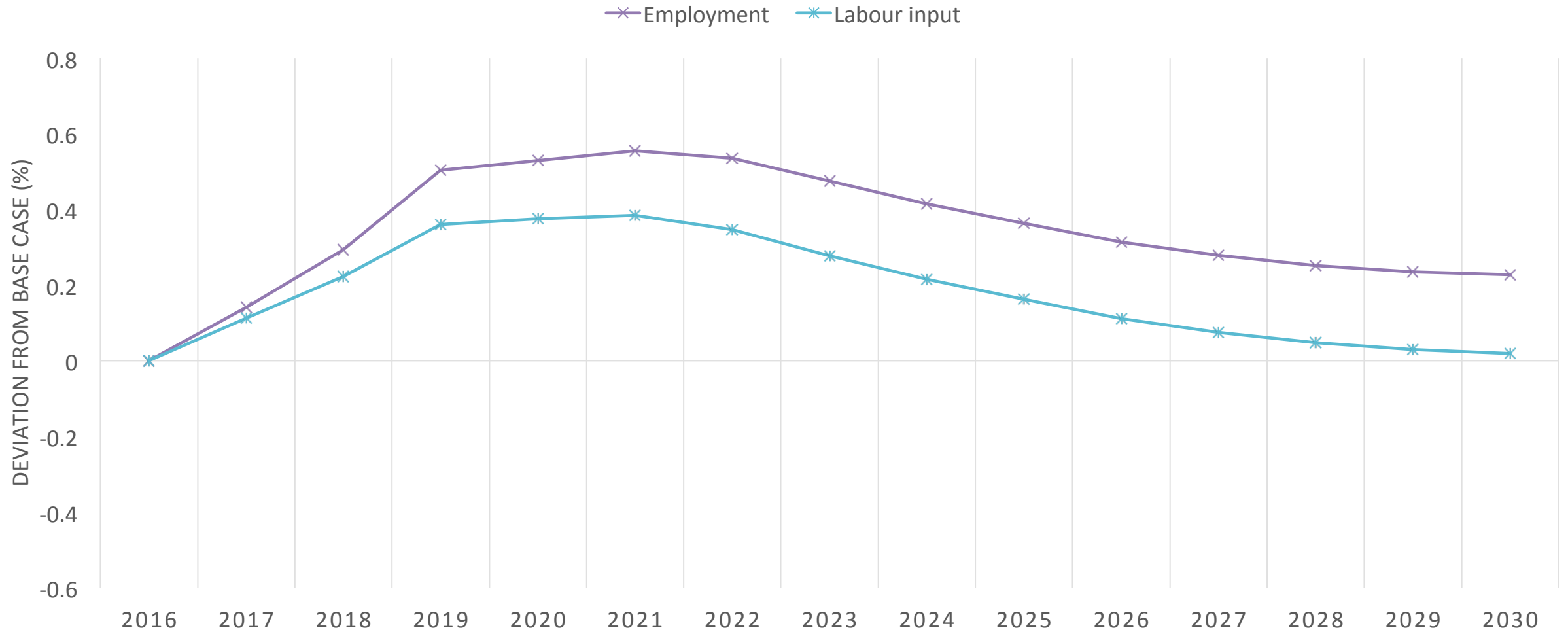
Model implementation of NDIS

- Increase expenditure on NDIS by 100% over 3 years
 - Accommodate with household taste change
 - Budget-neutral: households would otherwise spend money according to existing preferences
- Increase participation rate via labour supply increase of 21,000
 - 15,000 general increase (voluntary/family carers return to work)
 - 6,000 induced by NDIS: skewed toward occupation ANZSCO 423 Personal Carers and Assistants

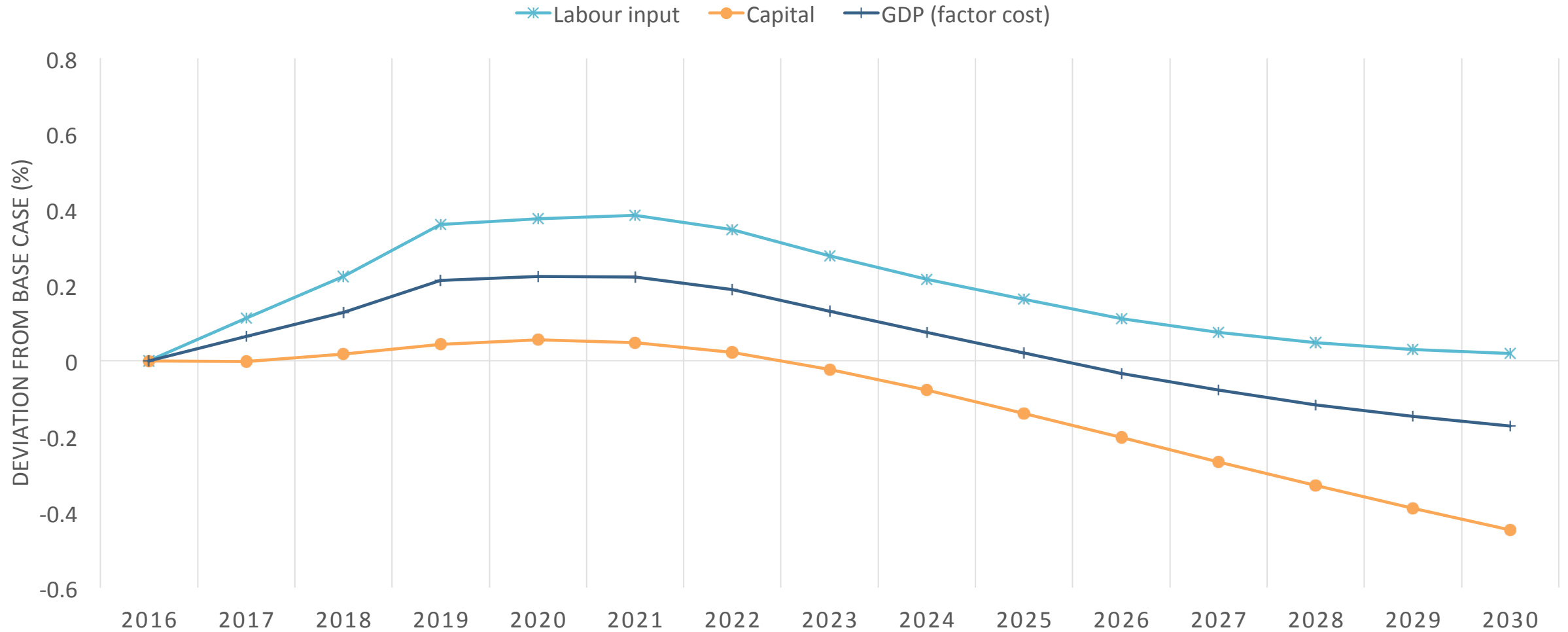
Participation, employment rate and employment



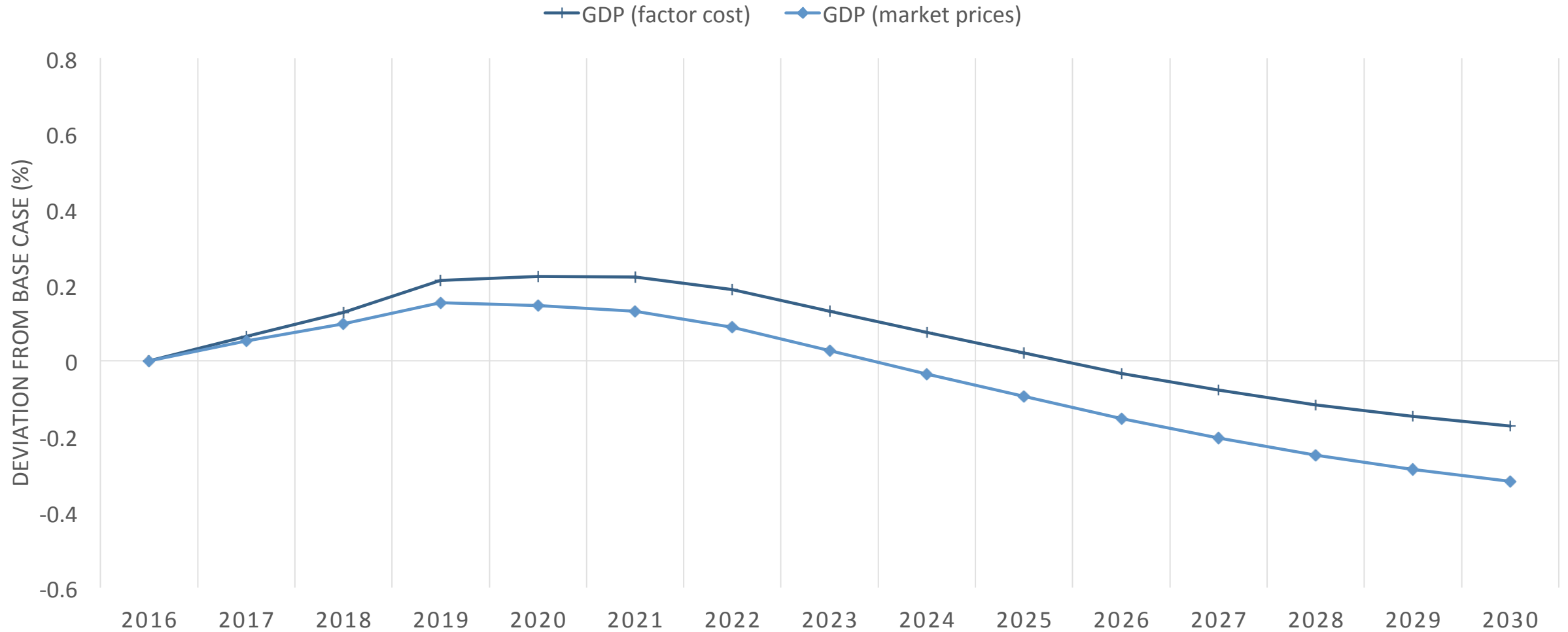
Employment and labour input



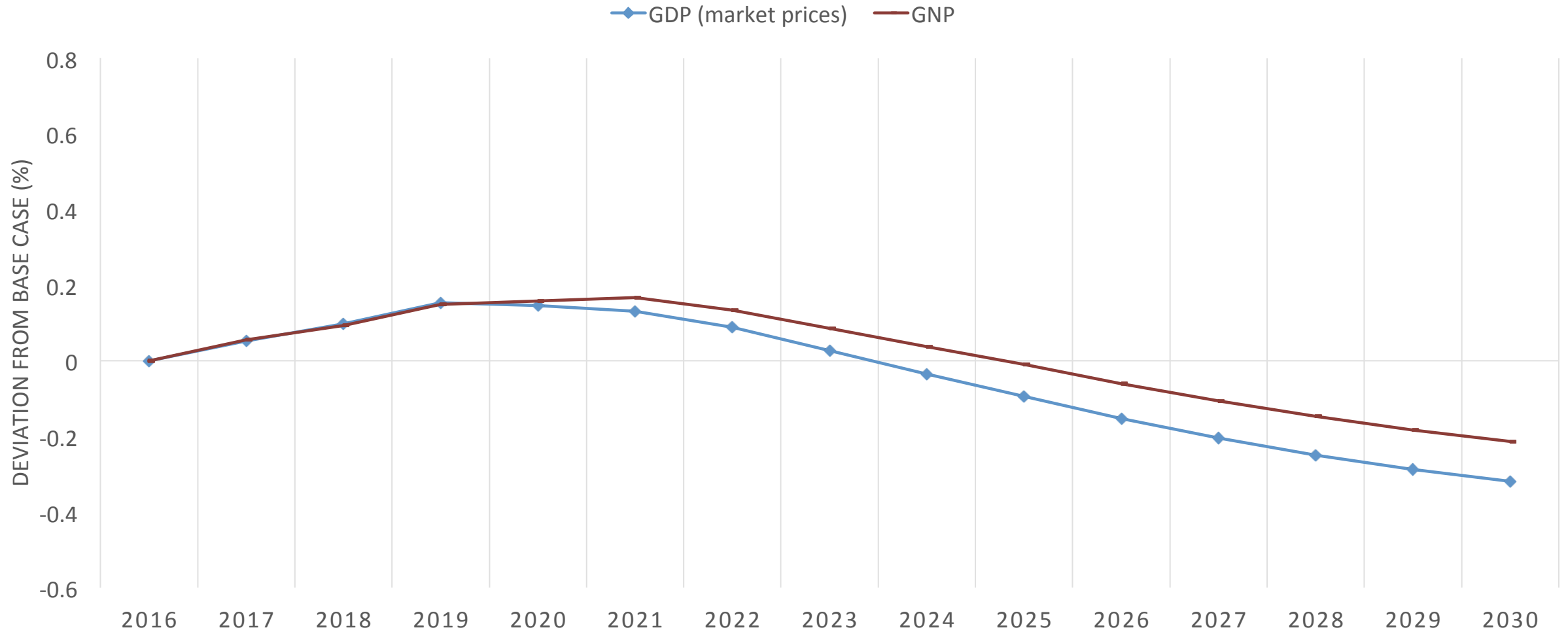
Labour input and GDP at factor cost



GDP at factor cost and market prices



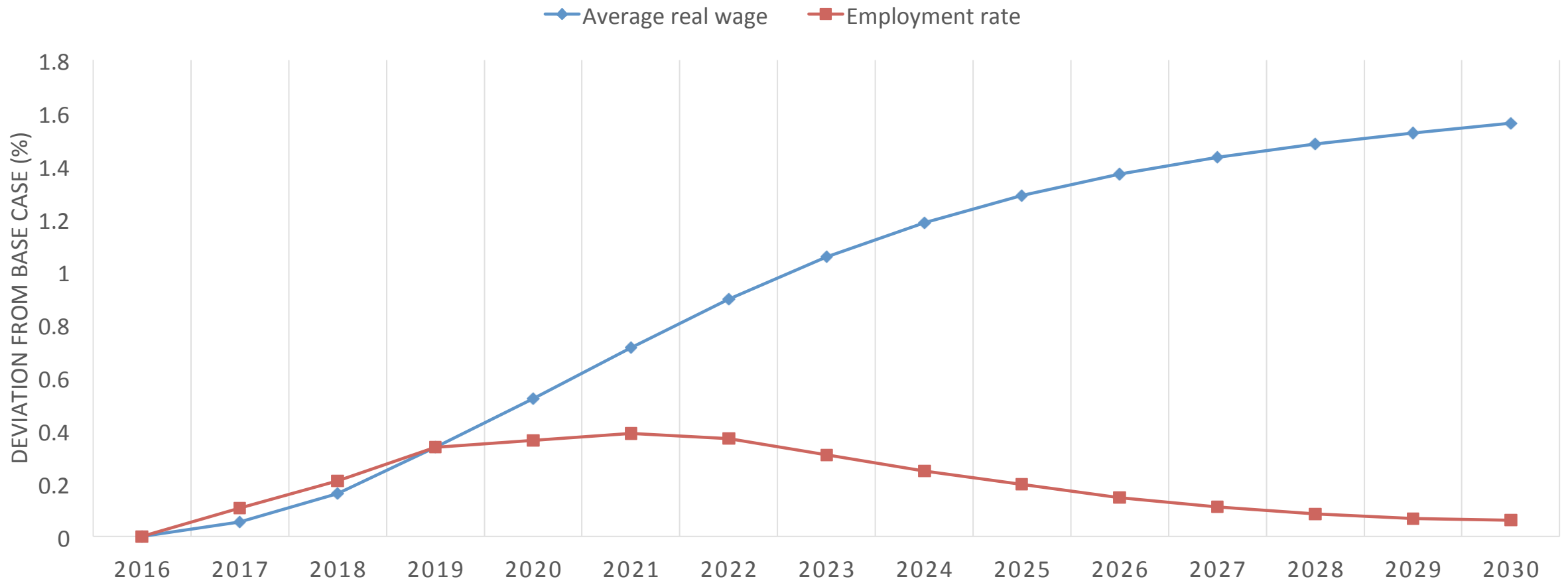
GDP and Gross National Income



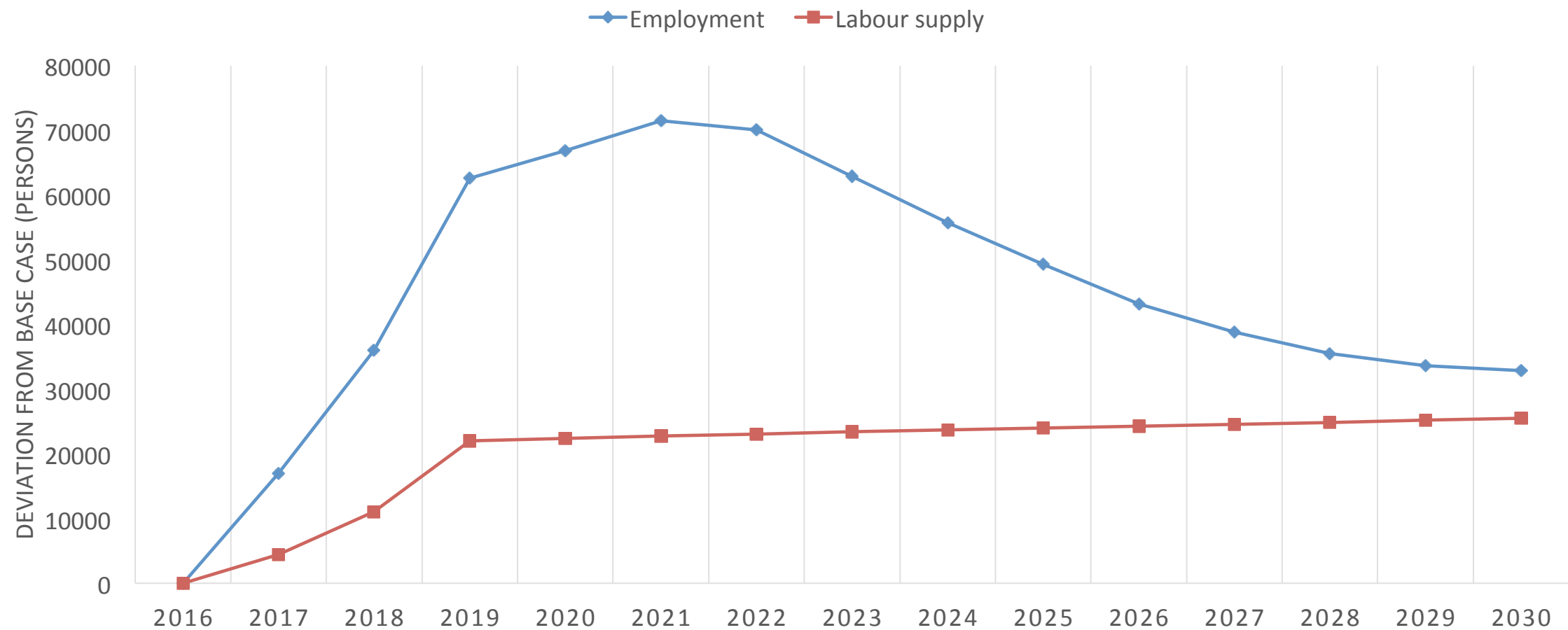
Employment and labour supply

- Estimate an additional 21,000 people enter the workforce
 - 15,000 family carers return to work
 - 6,000 enter the workforce
- Disability services employed 110,000 persons in 2016
- Employment in disability services to increase by 100,000 by 2020
- Aggregate employment impact peaks at approx. 70,000
- NDIS expansion of \$11 billion: equivalent to \$150k per job
- Real wage impact eventually returns unemployment to NAIRU but participation effect remains

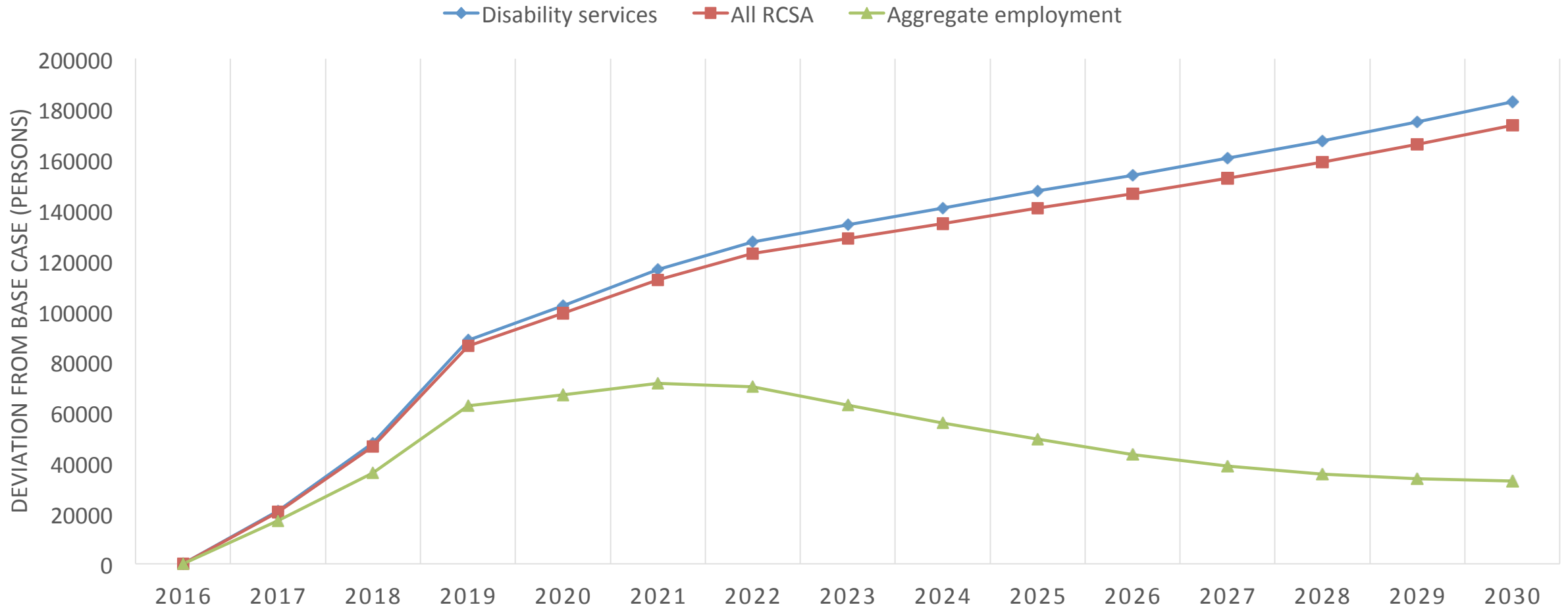
Employment rate and real wage



Employment and labour supply (persons)



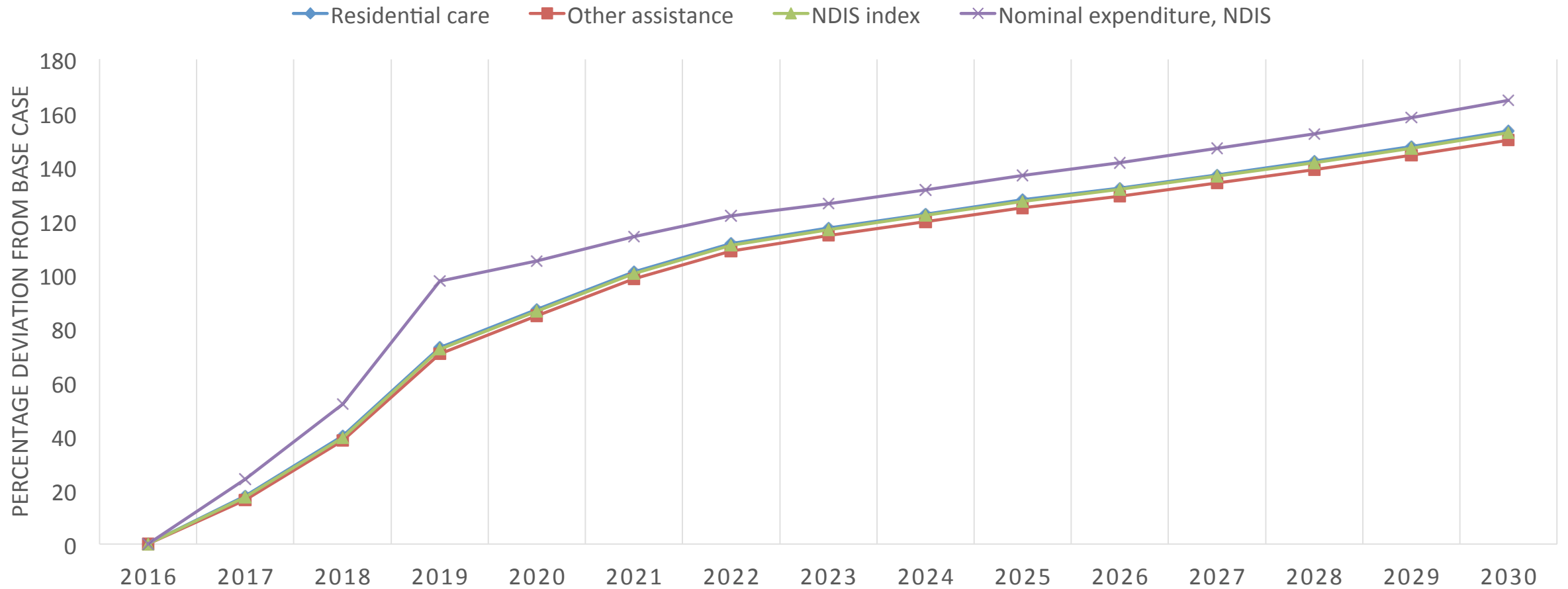
Employment: Disability, RCSA, aggregate



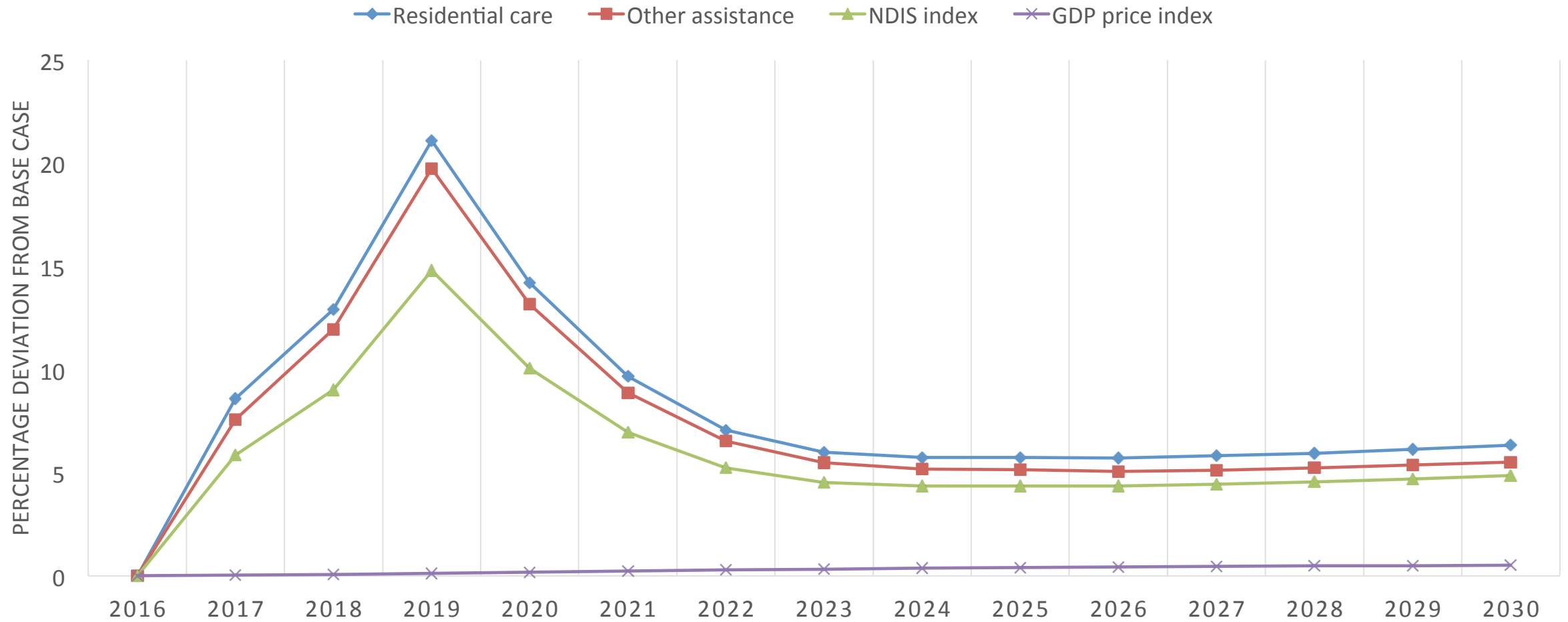
Volume of service delivery

- Fast implementation of NDIS leads to price pressures
- Doubling expenditure on disability service provision will not double the volume of service delivery
- Model results show strong price increases
 - Real world → underspend

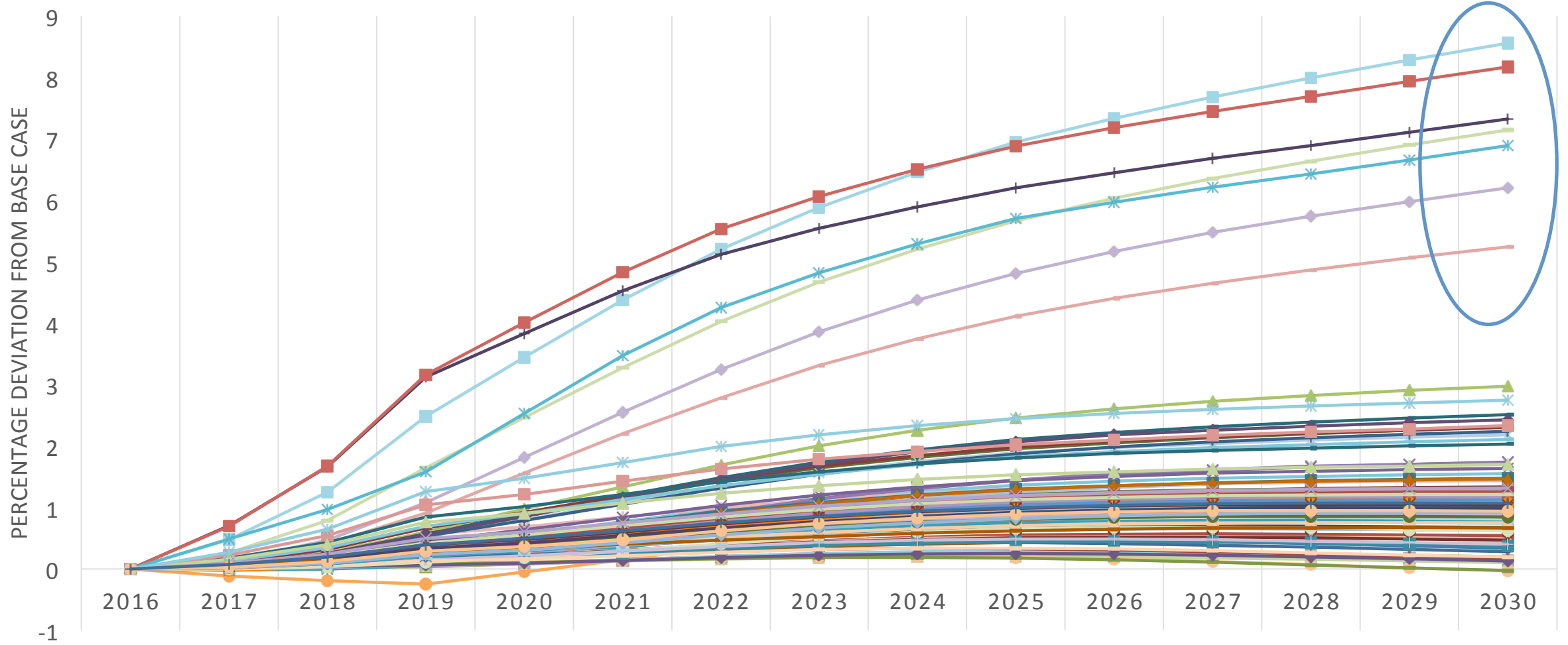
Volume of service delivery



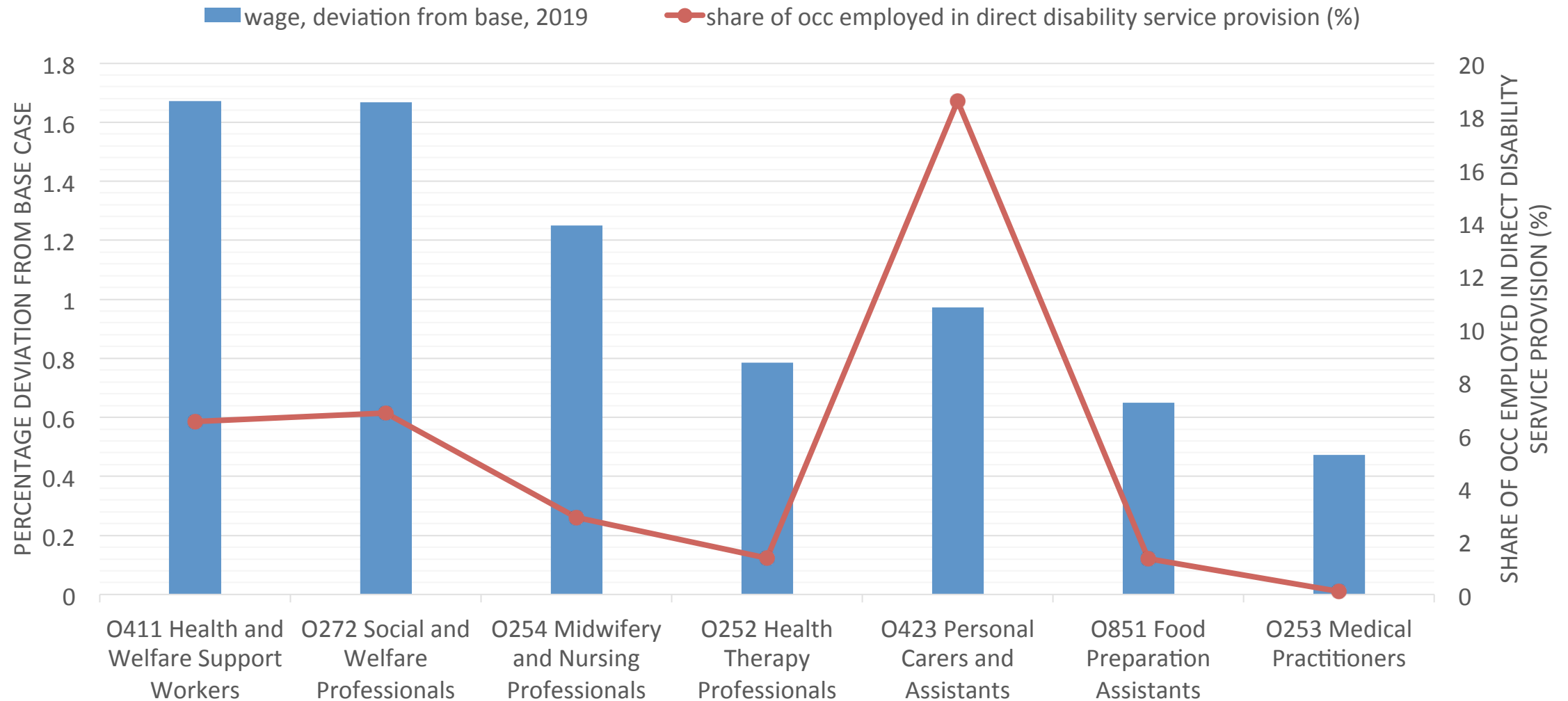
Price impacts



Wages: labour market pressures



Top 7 occupations under pressure



Summary so far

- Short run fiscal stimulus effect
- Long run diversion of demand towards relatively labour-intensive activity eventually constrains GDP
 - Does not account for increased participation by scheme participants
 - Reduced GDP does not indicate reduced welfare
 - Utilitarianism vs Rawls
- Expenditure on NDIS to double in 3 years, volume to double in 5 years

Regional modelling: issues for consideration

- CoPS TERM model
 - SA3 regions (approx. 330 in Australia)
 - Same representation of NDIS industries as in VU National model
 - Inter-regional “trade” in services
 - Clients live in one region and access services in another
 - Inter-regional mobility of clients
 - Clients relocate
 - Inter-regional mobility of workforce
 - Workers relocate

Conclusions and further research

- Modelling framework has illustrated supply-side constraints on NDIS
- Competing effects:
 - Increase participation rate
 - Diversion of demand towards labour-intensive activity
 - Eventually constrains GDP
- Next steps
 - Ongoing updates
 - Regional modelling