



Effects of possible changes to the Disability Support Pension

ACOSS Info 371 – April 2005

Summary

The Government is considering policies to reduce the number of recipients of the Disability Support Pension (DSP), and is likely to announce policies to achieve this in this year's Federal Budget.

One option being considered is to make it harder for *new applicants* to get the Disability Support Pension in future. The government attempted to do this in 2002 when it introduced a 'Disability Reform Bill' to Parliament, but it was rejected by the Senate. Media reports suggest that a similar Bill is now being considered, given the government's imminent control of the Senate. In the interest of well informed public debate over welfare reform, this paper looks at what would happen to people with disabilities if the 2002 Bill was passed now.

Another option being considered is to require *existing DSP recipients who are assessed as able to work part time* to look for work or participate in programs like the Job Network. The government is also reported to be considering reducing future pensions for these DSP recipients by indexing their pensions to the CPI only, not to average earnings as at present. Other existing recipients would not be directly affected.

There are positive signs that the government is taking a much broader view of disability reform than just reducing the number of people on DSP. Ministers acknowledge the need for better services, work with employers, and better incentives to overcome barriers to employment. We urge the Government to reconsider the 'get tough' approach that would reduce the incomes, and the income security, of many people with disabilities.

ACOSS INFO 371— ISBN 085871 600 3— ISSN 1442 486 X
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An important goal for welfare reform is to assist more people with disabilities into employment. Although the overall number of disability pensioners in Australia is about average compared with other wealthy countries, only 9% of our disability pensioners have jobs compared with an average of about 30% for other countries.¹ Unfortunately the disability pension is still widely regarded as ‘the end of the line’ for people’s future career prospects. There are also many people with disabilities languishing on other social security payments like Newstart Allowance and Parenting Payment. This is unfair and waste of human resources.

However, simply diverting people from DSP to Newstart Allowance (unemployment benefits), or making them look for work and reducing their future pensions, won’t solve the problem. This ‘get tough’ approach assumes that it has become too easy to get the pension, but no convincing evidence has been presented that this is so.

To get DSP, people have to pass strict medical tests. In the opinion of doctors or other professionals chosen by Centrelink, they must have a disability that would *prevent them from working full time for at least the next two years*. DSP is paid at a higher rate than Newstart Allowance. Unlike Newstart Allowance recipients, people on DSP are not required to look for work.

There are many reasons why people with disabilities still find it very hard to get a job, and the number of disability pensioners has risen. They include:

- Employers expect their workers to be a lot more productive these days, and many regard people with disabilities – often wrongly - as less productive.
- Employers don’t get much support to make the adjustments needed to employ people with disabilities – for example I.T. programs for sight impaired people.
- Most social security recipients with disabilities are unaware of what government employment programs like ‘Open Employment’ can do to help them find work, and there are queues for these programs.
- The cost of working is prohibitive, for example taxis for people using wheelchairs or additional medication for people with a mental illness.

ACOSS and the disability and welfare sectors (including the new *Disability Participation Alliance*) have urged the Government to reduce these and other barriers to employment.

This paper looks at the effect of policy changes foreshadowed in recent media reports on two groups: new applicants for DSP and existing DSP recipients. *We emphasise that we will not know the government’s exact plans until Budget night on 10th of May, and that these changes would not come into place until and unless they were legislated some months later.*

¹ For background information on disability pensions, see ACOSS (2005) *Ten myths and facts about the DSP*. ACOSS Info Paper No 162. This paper and info on the Disability Participation Alliance are at <www.acoss.org.au/publications>.

(1) Effects of the proposed changes on *future applicants* for DSP

'There's some legislation we put up a couple of years ago. And it's been blocked. We'll put that up again'
Prime Minister John Howard on 'Sunday' program 6/2/05.

Many *new applicants* for DSP would be worse off financially if the *Disability Reform Bill* proposed by the Government in 2002, or similar legislation, was now passed:

- New applicants for DSP who are assessed as able to work *part time* (at least 15 hours per week) would no longer receive DSP, whether or not they actually have part time work. Most of this group would be paid the lower Newstart Allowance (unemployment benefit) instead (see table 1 at end of summary).
- Existing DSP recipients would not have been affected by the Disability Reform bill, but many would be affected by other changes recently mooted by the Government (see below).

We estimate that if the Bill was now passed, then over the next three years:

- **around 60,000 new applicants would miss out on DSP and end up on lower payments like Newstart Allowance instead**
- **they would be at least \$20 to \$40 per week worse off, and would miss out on pensioner concessions, ultimately saving the government around \$600 million per year**
- **most would be required to participate in employment programs like Job Network and Work for the Dole, and an extra 68,000 extra places in employment programs (mainly Job Network) would be funded.**
- **despite this assistance, over 80% would still rely on income support a year after their DSP claims were rejected.**
- **so the Bill would not greatly reduce reliance on income support. Instead it would divert a large number people from a higher payment (DSP) to a lower one (such as Newstart Allowance).**

(2) Effects of proposed changes on *existing recipients* of DSP

Media reports suggest that the Government is also considering changes that would affect *existing DSP recipients*, after their next pension eligibility review. If they were then assessed as being 'able to work part time' (at least 15 hours per week), they could be required to either look for work or participate in programs like the Job Network. Those assessed as able to work part time could also have their pension 'frozen' in real terms – that is, their payments would still be indexed for inflation so that its value doesn't fall in real terms, but would no longer be raised in line with increases in average wages, as is the case for other DSP recipients.

If the government introduced activity tests and froze the real rate of payment for existing recipients who are considered able to work part time, we estimate that over the next three years:

- **around 64,000 existing recipients would be affected**
- **their pensions would be lower in future due to the indexation changes**
- **they could be required to look for work or participate in programs like Job Network and Work for the Dole**
- **if the DSP rules were also tightened for new applicants (see above), many existing DSP recipients would also be anxious that if they found work and then lost the job, they could end up on Newstart Allowance in future.**

It is hard to judge in advance which existing DSP recipients and new applicants would be assessed as 'able to work part time', but they are likely to include:

- people who have 'episodic' mental illness that are sufficiently controlled with medication that they can work part time, but who still have episodes from time to time that prevent them working full time
- people with 'wasting' diseases like Multiple Sclerosis, who can still work part time but whose ability to work declines or changes as the disease progresses
- people who have limited mobility as a result of a back injury or loss of limbs.

People with disabilities that *prevent them from working part time* would, in the vast majority of cases, not be directly affected by the proposed changes.

Gerard and the 'two faces of Centrelink'

Gerard is 60 years old, lives in Western Australia and receives a Disability Support Pension (DSP). He worked for 30 years as a teacher until he injured his back. At first the school granted him extended sick leave. He had surgery for a disc prolapse, but he still suffers from frequent back and leg pain. His doctor supported him working part time but not full time, but the school wasn't prepared to employ him part time. Gerard suspects that they feared a compensation claim (though he didn't make one), or that he might suffer an injury at work.

Due to his back pain and loss of job, Gerard also suffered from depression. Nevertheless, he undertook rehabilitation for 3 months with CRS Australia, which helped reduce his back pain and improve mobility. He then started looking for part time work in other schools.

He spent about six months on Newstart Allowance, which he 'hated' due to his abrupt and demeaning treatment by Centrelink staff. As a mature age person, he felt he was being treated 'like a 16 year old'. He constantly worried whether with his medical problems he could meet the work test requirements. His Job Network provider was more considerate, but said there was not a lot they could do to help him find professional employment. Fortunately he soon found casual work in another school for a few days a week. But under the Newstart Allowance income test, he couldn't supplement his earnings with income support and the Allowance was cancelled.

He continued working part time but found work increasingly stressful and his depression worsened, which aggravated his back pain. He applied for and was granted the DSP. For about a year he combined the pension with earnings from part time work. His experience of DSP was much better than Newstart Allowance. The pension provided a financial backstop to his casual earnings. On average, he earned about \$200 a week (gross) and received a pension of about

\$180 per week. Centrelink staff were much more considerate. The difference was so stark that he speaks of the 'two faces of Centrelink'. The pensioner concession card also made a big difference. He estimates he saved thousands of dollars that year in medical and transport costs and utility bills

A year ago he had a relapse and had to quit work. He is still on DSP.

Gerard says that regardless of a person's ability to work, 'the attitude of the employer is critical'. He was honest with prospective employers about his condition. But that meant many employers failed to contact him back, despite his good work record as a teacher. He thinks a major reason for this was that he was regarded as a 'compo risk'.

[Gerard contacted ACOSS to express his concern about the reported changes to DSP. We have changed his name to protect his privacy, but the other details are accurate to our knowledge. Gerard would have found it harder to get on DSP if the proposed rules were in place before he applied. If he had been on Newstart Allowance instead of DSP when he was working part time, he would have received about \$90 per week - just half the \$180 per week he got on the pension. This is due to the lower rate of payment and tougher income test. He would not have received a pensioner card at that time, and would have missed out on many pensioner concessions.]

A better way

The proposed changes would create more hardship for people with disabilities. They could also discourage many DSP recipients from working part time.

There is a better way to reduce the need for people with disabilities to rely on DSP: encourage them to look for work and join employment programs while they are still on the pension.

That's why the existing rules allow people to work part time and still keep the DSP: it encourages disability pensioners to look for work. Overseas governments, for example New Zealand, are easing restrictions on part time work for disability pensioners for this reason.

At present only 9% of DSP recipients have any earnings from work and only 6% participate in government employment programs such as open employment assistance, rehabilitation, and the Job Network. So there's much room for improvement.

Putting people on lower social security payments won't get them a job. Instead of making it harder for people with disabilities to get DSP, the Government should make changes to ensure the DSP is no longer a 'dead end' payment:

- encourage and support DSP recipients to pursue rehabilitation or training, and expand and improve employment programs like Open Employment, CRS and Job Network
- challenge discrimination in the workplace that excludes people with disabilities from jobs and work with employers to overcome any hurdles to employing them

- make work worthwhile for people with disabilities by offering more help to meet the costs of disability such as transport and workplace modifications (for example, by introducing a cost of disability allowance and extending pension concession cards to more people with disabilities)
- implement the social security reforms proposed by the government's Reference Group on Welfare Reform (McClure Committee) in 2000 that would remove the unfair 'gap' between levels of payment for pensioners and Newstart Allowance recipients described above – without reducing any payments.

Paula's struggle to find work

Paula is 57 years old and lives in regional Victoria.

She worked in office jobs until about 15 years ago when she suffered a breakdown. Due to this and other health problems, including poor hearing and lower back pain, she was granted the DSP. She still suffers bouts of anxiety and depression.

She has tried working to boost her pension, which she can't afford to live on as she is divorced. Her basic expenses – home payments, food, bills, running an old car, and insurance, are \$25 a week more than the full pension, which is only \$240 per week. Paula budgets very carefully, even setting aside \$20 a week in summer to pay for her winter heating bills. She thinks twice about borrowing a home video, let alone going out.

About ten years ago she got a part time clerical job for 15 months, but was poorly treated and lost the job. This triggered another breakdown and a loss of self confidence, from which it took her years to recover. Fortunately she was able to return to the full pension.

She obtained rehabilitation through CRS Australia which helped a lot with intensive individual support, access to rehabilitation programmes and group sessions.

Last year Paula was approached to join the Job Network disability pilot. Under this scheme, people on DSP voluntarily join the Job Network to help them get a job. She agreed, and about 3 months after starting with the local Job Network they found her a part time clerical job. But after 6 weeks working on a casual basis with that employer, she was sacked without adequate warning or reason. The Job Network provider contacted the employer but was not able to resolve the issue so that Paula could continue working there. Another blow to her self esteem.

Fortunately she had previously obtained a casual position through CRS, and this employer is very supportive. She works 10 hours a week and earns about \$170 per week. She gets a part pension of about \$190 a week. The pensioner concession card is very important because she needs 2-3 scripts every fortnight as well as over the counter medication, and she gets discounts on power bills, rates and public transport.

Paula is fearful of media reports that the DSP could become harder to get for people who are able to work part time. She is reluctant to increase her hours above 15 in case she might be affected, though she doesn't know if she would be. She worries about being forced to live well below the poverty line, and being forced to look for more work, which is stressful because most positions are casual and insecure.

Paula feels the government should provide more support and encouragement to employers to take on people with disabilities. She commented that Job Network staff seemed to lack the skills and resources to deal with people with disabilities, and in general were only prepared to submit a resume. She said the government should 'encourage people rather than punish them' for their willingness to look for work

[Paula contacted ACOSS to express her concern about media reports of changes to DSP. Her name has been changed to protect her privacy but the other details are accurate to our knowledge. If she was claiming the pension for the first time under the DSP Bill, she might be paid Newstart Allowance instead. Currently, this would only be about \$100 p.w, \$80 p.w. less than her pension, due to the lower rate of payment and tougher income test. She would miss out on the pensioner card and could be required to look for work if she lost her present job.]

**Table 1:
Disability Pension and Newstart Allowance compared (March 2005)**

	Pension (including DSP)	Allowance (including Newstart Allowance)	Loss of benefits (on Newstart Allowance compared with DSP)
Rate of payment:	\$235 per week (single) \$197 per week (partnered)	\$197 per week (single) \$178 per week (partnered)	\$38 per week (single) \$19 per week (partnered)
Concessions²:			Up to \$2,000 per year
Pharmaceutical Allowance	YES (\$2-3 p.w.)	Only if medical certificate provided	
Cheaper drugs under the PBS	YES	YES	
Telephone Allowance	YES (\$2 p.w.)	NO	
Public transport discounts	YES	Less or no discounts	
Utility bill discounts	YES	NO (in most states)	
Income test:	Lose 40 cents in the dollar for earnings above \$61 per week	Lose 70 cents in the dollar for earnings above \$71 per week	\$64 per week (single) or \$61 per week (partnered) if earning \$100 per week
Activity requirements:	NONE	Must actively seek work and participate in programs like Work for the Dole, unless granted an exemption	

² Concessions available to Pensioner Concession Card holders (pensioners) compared with Health Care Card holders (Allowance recipients). Note that many concessions vary from State to State.

Suzanne – every day is a new challenge

Suzanne is in her thirties, lives in Sydney and suffers from Multiple Sclerosis (MS). MS is a disease that weakens the nerves and blocks messages from the brain to different parts of the body. It can affect any function of the body. Its effects are unpredictable. In some cases, people's health gets progressively worse; in others it worsens then improves to a point. Physical exhaustion is a common side effect. There is no known cure.

Suzanne worked fulltime as a chef until 10 years ago, when she noticed she couldn't walk properly. She was admitted to hospital and diagnosed with MS. Afterwards she could still walk, but only with effort. She returned to her job on a part time basis but couldn't manage physically, in the end she had to leave her job and the hospitality industry.

She was granted DSP. The government doctor was tough in his questioning of Suzanne. She suffers from 'relapsing remitting' MS. This means her body has an "attack" then gets better again depending on how well her body repairs the damage that was done. So her health is unpredictable. She can wake up feeling fabulous, then during the day experience waves of fatigue.

Suzanne can walk OK but requires a walking stick. On a good day she can go for about 45 minutes before she needs a sit down. She then can carry on. But sometimes she needs a wheelchair when there is a lot of walking. At one stage she needed rehabilitation to learn to walk again from a particularly bad attack.

She has only approached one government employment assistance service for help – CRS Australia. The first time they were very helpful, getting her a 'sit down' job in a call centre which she really enjoyed. On the second occasion they were less helpful. She asked for a job where she could sit down but they called with jobs such as a sandwich hand position which would entail a lot of standing.

She now works about 2 days a week in an administrative job. On some days she can't work at all. She earns about \$220 per week gross and receives a part pension of about \$220 per week. The pension is important to sustain her income, especially if she loses a job or has to cut her working hours due to being unwell. The pensioner concession card is also important because she has extra medical and other costs due to her illness.

Suzanne says the effect of MS on a person's work capacity is hard to predict. 'You can't generalise – it's a personal journey. Support and understanding from employers is very important'. She has had supportive employers, but has also experienced discrimination. One employer was reluctant to even grant her an interview for a job she knew she could do well.

'People with MS want to work full time but their bodies won't allow them. Its not a case of people with disabilities not wanting to work, its the ABILITY to work. So making them look for work is not the answer.'

[Suzanne's name has been changed to protect her privacy but the other details are accurate to our knowledge. If the Disability Reform Bill was passed, it would have been harder for Suzanne to get the pension. If she was on Newstart Allowance, she would be about \$100 per week worse off due to the lower rate of payment and tougher income test. She would not have a pensioner card and would miss out on many pensioner concessions. She could be required to look for work if she didn't have a job. Assessing whether she is 'able to work' would be very difficult as her ability to do so changes from day to day.]

1. The 2002 Disability Reform Bill and other proposed changes

The Government is considering policies to get more people with disabilities into work and reduce reliance on social security, and is likely to announce policies to achieve this in this year's Federal Budget. Two options are being considered:

1. One option is to make it harder for people with disabilities considered able to work part time to get the Disability Support Pension (DSP) in future. In 2002, the Government introduced a 'Disability Reform Bill' to Parliament to this end. This Bill was not implemented because it was rejected by the Senate in 2002 and 2003. In the interest of informed public debate over welfare reform, this paper looks at what would happen if this Bill was passed now.
2. Another option being considered is to require *existing* DSP recipients who are considered able to work part time to look for work or participate in programs like the Job Network. The government is also reported to be considering reducing future pensions for these DSP recipients by indexing their pensions to the CPI only, not to average earnings as at present.

The Disability Support Pension (DSP) is paid to people who, in the opinion of doctors or other professions, have a disability that would *prevent them from working full time for at least the next two years*. It is paid at a maximum rate of \$235 per week, about \$40 more than Newstart Allowance (unemployment benefit). Unlike Newstart Allowance recipients, people on DSP are not required to look for work.³

In addition to people already excluded from DSP, the Bill would have denied the DSP to new applicants who:

- have a capacity to work part time for 15 hours or more per week (currently 30 hours)
- are assessed as able to benefit from prevocational training or activity such as resume writing or job search (currently only those able to undertake and benefit from vocational training and rehabilitation are excluded);
- currently benefit from the special concession for applicants over 55 years, that the availability of suitable jobs in their local area is taken into account as well as their disability.

The first version of the Bill in 2002 would have affected both existing DSP recipients and new applicants who fell within one of the three categories above. Subsequently, the government decided to amend the Bill so that existing recipients would continue to receive payments under the existing rules (they were 'quarantined' or 'grandfathered').

³ For more detail on the DSP see the Attachment below.

However, if they went off the pension entirely, they would face the new, tighter eligibility requirements if they reapplied later⁴.

When the Bill was discussed by a Senate Estimates Committee, officials estimated the numbers of people likely to be affected by the proposed changes. The following estimates are based on these data⁵. The Bill did not proceed. It was rejected by the Senate.

We conclude that the main effect of the Disability Reform Bill (if passed now) on *future DSP applicants who are assessed as able to work part time*, would be to increase financial hardship by diverting 60,000 new applicants for the disability pension onto lower social security ‘allowance’ payments (or no payment at all in a small number of cases) over the next three years. Most would be required to look for work or participate in employment programs like Job Network and Work for the Dole. Despite this assistance, at least 50,000 people with disabilities would have to survive on these lower payments for at least a year, given the difficulties they would still face in securing a full time job (see flow chart on page 13).

If the mooted changes affecting *existing DSP recipients who are assessed as able to work part time* are implemented, then over the next three years an additional 64,000 people with disabilities could be required to look for work and participate in employment programs like Job Network and Work for the Dole. Further, their future pensions would be reduced by changes to the indexation arrangements. No other changes to their DSP entitlements or pensioner concessions have been mooted at this stage.

It is hard to judge in advance which people with disabilities would be affected, but they are likely to include:

- people who have ‘episodic’ mental illness that are sufficiently controlled with medication that they can work part time, but who still have episodes from time to time that prevent them working full time
- people with ‘wasting’ diseases like Multiple Sclerosis, who can still work part time but whose ability to work declines or changes as the disease progresses
- people who have limited mobility as a result of a back injury or loss of limbs.

There has been talk in the media of people getting DSP who don’t have ‘genuine’ disabilities. For example, suggestions have been made that the pension is being ‘rorted’ by people who don’t have disabilities, and that it has become a defacto early retirement scheme for ‘older men with bad backs’. No solid evidence has been presented to back these claims.

⁴ Note that DSP recipients can work for up to 2 years without going off the pension. If they subsequently lose their job as a result of their disability, they can go back on the pension without reapplying. However, they may have to reapply for the pension if they are considered to have left or lost the job for other reasons.

⁵ See Senate Community Affairs Committee Estimates hearings, June 2002.

In fact, the evidence points the other way – for example, over the 1990s the fastest growing categories of DSP recipients were younger men and mature age women (not mature age men) and people with mental illness (not back conditions)⁶.

On the positive side, the Government also promised 73,000 additional employment assistance places over three years, at a cost of \$258 million (later revised to 68,000 places). Of these:

- half (37,600) were to be in Job Network
- 17,200 were in disability open employment services
- 14,700 were in rehabilitation, and
- 3,200 were in the Personal Support Program.

Based on our understanding of the 2002 proposals, and proposals recently mooted in the media, the effects of the changes would be as follows:

1. Many people with disabilities would in effect be forced to pay for the extra employment assistance offered by the Government, through reduced social security payments

The Government budgeted to save around \$180 million by the third year from the 2002 Disability Reform bill and associated changes. The loss of social security income and pensioner concessions for those people with disabilities who missed out on the DSP would have saved the government approximately \$600 million. This would mainly be due to the ‘diversion’ of new claimants for DSP onto the lower Newstart Allowance, rather than more people finding jobs (see below). This would have been partly offset by \$260 million spent on employment assistance, and \$160 million in administrative costs (see table below).

Table 3: Savings to the Government from the 2002 Disability Reform Bill (after 3 years)

Loss of benefits and concessions for future DSP applicants:	- \$603 million
Cost to Government of extra employment services	\$258 million
Cost to Government of administration of proposed changes	\$165 million
Net saving for Government	-\$180 million

Source: Disability Reform Bill (2002) Explanatory Memorandum; Senate Estimates hearings transcript (May 2002 and February 2003); and ACOSS calculations.

These estimates do not take account of the more recent proposal to change the way DSP is indexed for those existing recipients considered able to work part time. This could be expected to save the Government hundreds of millions of dollars per year within about three years.

⁶ See ACOSS 2005, *Ten myths and facts about DSP*.

If more money was spent on employment assistance and other help to overcome barriers to employment for people with disabilities, the changes might cost the Government money in overall terms. But much of the cost of this extra help would still be paid by those people with disabilities who miss out on DSP and pensioner concessions, or whose pensions are not fully indexed.

2. The chances of new applicants getting DSP would be reduced by half

In responses to questions posed at Senate Estimates hearings in 2002, officials estimated that the Bill would reduce the success rate of new claims for DSP from around two thirds to about one third, reducing by half the number of people granted the pension. This is no minor change. It is a very substantial tightening of access to the DSP. Based on these official estimates, we estimate that **at least 80,000 people would be denied DSP over the next three years as a result of the bill** (see flow chart below)⁷.

It should be noted that under an earlier version of the 2002 Disability Reform Bill, existing DSP recipients would also have been reviewed under the proposed tighter eligibility rules. This part of the Bill was subsequently withdrawn by the government. Officials indicated in response to questions in Senate Estimates hearings that around 21,300 existing DSP recipients would lose the pension in each of the next five years (64,000 over three years) if the Bill were extended to existing DSP recipients. At this stage, it is unlikely that these people would be transferred to other payments such as Newstart Allowance, so we have not included these estimates in our calculations below. However, media reports suggest the government is considering imposing activity requirements on these disability pensioners and changing the way their pensions are indexed (see below).

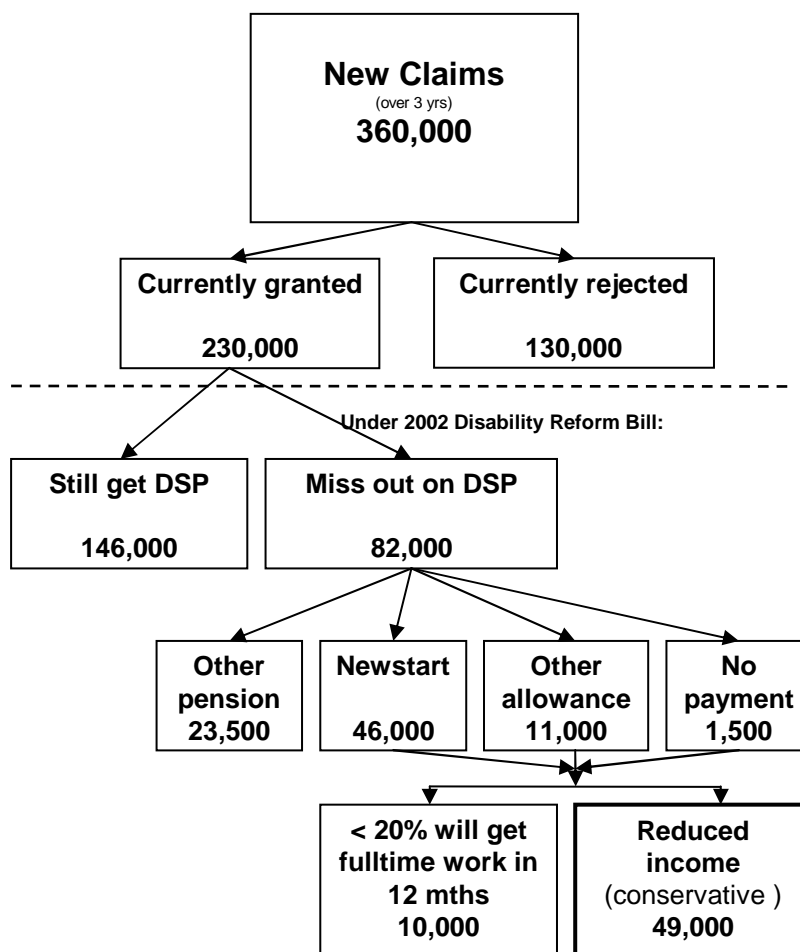
3. As a result of the changes, over the next three years around 60,000 new applicants for DSP would receive lower payments like Newstart Allowance instead of the pension.

This is because 70% of those denied the DSP as a result of the changes would receive an Allowance payment (such as Newstart Allowance) rather than a pension (such as Carer Payment) and another 1,500 would receive no payment at all (see flow chart below). The other 30% or so would receive another pension, such as Parenting Payment (Single) - see flow chart below.

⁷ The Department of Family and Community Services, when the measure was introduced in 2002, estimated that by the third year of operation, about half of the 71,700 claims granted in 2002-03 would be denied under the proposed rules. We applied this proportion to an estimate of claims for 2004-2007 - See Figure 1 and Hansard 2002 pCA92, FACS 2002.

⁷ This is a conservative estimate. It is likely that a higher proportion of new claimants affected by the changes would move onto allowances rather than pensions. Figures for payment 'destinations' are based on data provided in Senate Estimates hearings but related to *existing* DSP recipients who were to lose their pension under an earlier version of the Bill. *New applicants* denied the pension are more likely to transfer to Newstart and other Allowances. Our estimate of 115,000 claims in the 'first year' and a grant rate under the current system of 63.4% is consistent with recent reports that there were 74,000 new DSP recipients last year. (See MacDonald E, *Support needed for staff with a disability*, Canberra Times 30/3/05).

Figure 1: What would happen to DSP claimants?



Assumptions: 115,000 claims in first year rising to 125,000 in third, 2002-03 grant rate of 63.4% of claims would have been maintained. Other figures based on FaCS estimates 36% of those currently granted DSP would not qualify under proposed changes and proportions of those affected likely to be directed various other payment destinations (Hansard 2002). Estimates provided were for existing DSP recipients to be reviewed under the original proposal and likely understate the proportion of new applicants that would be directed to Newstart.

4. Those paid Newstart instead of DSP would be at least \$20 to \$40 a week worse off and would miss out on pensioner concessions

In March 2005, a single adult with no other income received \$39 a week less on Newstart Allowance than on DSP. A married person in the same situation received \$19 less. When the lack of telephone and pharmaceutical allowances and other concessions are taken into account, a single person would be at least \$40 per week worse off and a married person at least \$20 worse off.

Recipients of Newstart Allowances also miss out on the Pensioner Concession Card. They receive a Health Care Card instead. The concessions available on that card are inferior – for example public transport would be more expensive and in most states they would get little or no help with utility bills, such as electricity (see table 1 in summary).

5. They would face a tougher income test that would discourage part time work

People employed part time would be even more disadvantaged if they received Newstart Allowance instead of a pension. The income test for Newstart Allowance is much harsher than that for pensions. For example, for every dollar earned above \$71 per week, Newstart recipients lose 70 cents off their allowance. By contrast, pensioners lose 40 cents for every dollar earned above \$61 per week.

As a result, a single adult on Newstart earning \$100 a week is \$64 a week worse off than an equivalent pensioner. If their earnings are \$300 a week, they are \$124 a week worse off. Because of differences in the way income is defined for couples under pensions and allowances, a partnered person would be more harshly affected by the different tests. A partnered person earning \$300 a week would be \$162 a week worse off on Newstart than on DSP⁸.

Table 4: How much worse off financially would a person with a disability be on Newstart Allowance rather than Disability Support Pension? *

Earnings from employment (per wk)	Single adult (worse off per wk)	Partnered (worse off per wk)
Nil	\$40	\$20
\$100	\$64	\$61
\$184.50 (15 hrs @ minimum wage)	\$90	\$104
\$300	\$124	\$162

Data source – Centrelink based on December 2004 rates. Calculation includes maximum basic payment, maximum Rent Assistance and Pharmaceutical Allowance for both DSP and Newstart. Includes Telephone Allowance for DSP recipients.

At the level of work capacity proposed to deny eligibility for DSP (15 hours a week), a single adult in a low paid job at minimum wage – such as cleaning or home telephone sales – would be \$90 a week worse off if they were getting Newstart instead of DSP. This would discourage people from taking on part time work.

6. More people with disabilities would get employment assistance, but this could be offered without restricting access to DSP

In 2002, the Government promised 68,000 extra places over 3 years in employment programs, including 37,600 in the Job Network, 17,200 in specialised ‘open employment’ services for people with disabilities, and 14,700 in rehabilitation. This is about 23,000 places a year. This is a substantial (50%) increase in places for people with disabilities. It was also about equal to the number of new applicants denied the pension as a result of the Disability Reform bill.

⁸ This also takes account of the lower maximum rates of payment for Allowance recipients.

Most of the new places would be in the Job Network. But the Job Network would need a big increase in resources to adequately assist people with disabilities. Funding for Job Network providers to assist highly disadvantaged job seekers is currently well below the average amount available to specialist disability employment services, which the Government has already acknowledged is inadequate (see table below)⁹. Job Network providers can use a Job Seeker Account of around \$1,000 to buy training and other help to overcome employment barriers facing people disadvantaged in the labour market. But that won't buy much training or other help to overcome work barriers.

Table 5: Comparison of funding level for places in Open Employment Services for people with disabilities and Job Network

(Total funds paid to providers when full time employment is sustained by job seeker after 12 months' participation in 'Customised Assistance' and Open Employment Services.)

	Job Network (Intensive Support Customised Assistance)	Open Employment Services			
Funding Level	Highly disadvantaged	Level 1	Level 2	Level 3	Level 4
Fees payable to provider	\$7,590*	\$5,588	\$8,525	\$12,309	\$18,326

Sources: DEWR 2003b; FaCs 2003e, Senate Estimates (2004). Note: In substantial open employment for 26 weeks within 12 months of commencement in either ISca (first round) or Open Employment Services. * includes 100% usage of Jobseeker Account allocation

The inadequacy of Job Network funding to assist people with disabilities is borne out from the published findings of the Government's 'Job Network pilot' scheme for people with disabilities. Of the 790 DSP recipients who received Intensive Support from Job Network providers under this scheme, less than 10 per cent (53 people) were placed in a full time job within the next 10 months (see attachment below for details).

7. But more than 80% of those missing out on DSP would probably still be on social security 12 months later, even with the extra employment assistance

It might be argued that those who miss out on DSP and receive lower Allowance payments instead would at least have better access to employment programs, so they would be more likely to get a job.

However, even if employment assistance is available, it is not easy for most people with disabilities to secure employment. This is due as much to employer reluctance and community attitudes as the disabilities themselves. Even if employment assistance is offered to everyone whose claim for DSP is rejected as a result of the proposed changes, it is likely that less than 20% would obtain enough ongoing employment to get them off Newstart Allowance within 12 months of commencing employment

⁹ FaCs 2003e; Treasury 2003.

assistance - See box “*Job outcomes for DSP recipients in employment programs*” in the Attachment to this paper.

Therefore, of the 60,000 people who would miss out on DSP, we *optimistically* estimate that within a year of claiming the pension, one in five would get a job earning sufficient regular income to take them off social security payments completely (usually a full time job). These 10,000 people would still be financially worse off for up to a year.

That leaves 50,000 people who would get less income support without securing an ongoing full time job. This group would be financially worse off for over a year – (see flow chart on p13 above). This include those recipients who get part time work, who would still be worse off due to the tougher Allowance income test (see below).

8. Existing recipients would continue to receive DSP, but those considered able to work part time could be required to look for work and participate in programs like Job Network and Work for the Dole.

Media reports indicate that it is proposed that existing recipients who are assessed as able to work part time (from 15 to 30 hours a week) would be required to look for part time work or participate in employment programs such as Job Network, Open Employment, and Work for the Dole. It is likely that these requirements would apply after their next review of eligibility for the pension. Under the original 2002 Disability Reform bill (which would have applied to existing DSP recipients as well as new applicants), officials estimated that in each year after the Bill was passed, 21,300 existing recipients would have been affected. So, we estimate that **a total of 64,000 people over three years would be affected**¹⁰.

9. Existing recipients assessed as able to work part time could also receive lower pension payments in future, due to changes in indexation arrangements.

Media reports indicate that the government is considering reducing future pensions for existing DSP recipients who are considered able to work part time. This would be done by indexing their pensions to the Consumer Price Index rather than average earnings (as at present). Because average earnings grow more rapidly than inflation, this would lower future payments. So in future, people with disabilities deemed able to work part time would receive a rate of payment in between that received by other DSP recipients and the lower Newstart Allowance.¹¹

The real value of their pensions would not fall, but it would not increase either - as it does over time under existing arrangements.

As indicated above, we estimate that, **a total of 64,000 people over three years would be affected.**

¹⁰ Schubert M, *Tougher test for 700,000 on disability pensions*. The Age 31/3/05.

¹¹ Schubert, The Age 14 April 2005.

10. Existing recipients would also face the risk that they could end up on Newstart Allowance if they got a job, lost the pension, and had to re-apply under the (tougher) new rules

DSP recipients can work full time for up to two years and then return to the pension without having to re-apply, provided they lost the job due to their disability. This is designed to encourage recipients to look for work, knowing that the pension is still available if it doesn't work out. Even so, many existing DSP recipients would be reluctant to 'test the water' with a job for fear that they would lose the pension and then have to reapply under the new, tougher rules. They would be fearful of ending up on Newstart Allowance instead of the pension. This could undermine the government's objective of getting more people with disabilities working.

There is also a danger that DSP would be regarded as a 'dead end payment' for people's career prospects. That's because the Disability Reform bill would limit the pension to people with a 'very restricted work capacity'. As an official stated at the Senate Estimates hearings in 2002:

*'Under the new rules DSP is restricted to those who have very limited capacity to work.'*¹²

This sends the wrong message to DSP recipients, most of whom actually want to work.

To counter concerns the DSP would become a 'dead end payment', the Government is reported to be considering imposing activity requirements – such as looking for work – on some existing DSP recipients (see above). Most of these DSP recipients want to work. But these new requirements would create anxiety if people thought they might end up on Newstart Allowance if they found work and went off the pension.

Further, if the Bill is passed, most of the extra employment assistance is likely to go to the growing number of people with disabilities who would receive Newstart Allowance instead of the pension. Few of the extra places would be 'left over' for existing DSP recipients, unless the government expanded employment assistance more substantially than it proposed to do in 2002. So, existing or new DSP recipients could miss out.¹³

11. The main outcome for people with disabilities would be more hardship

If the Bill or a similar one were implemented, around 60,000 *new applicants* would miss out on DSP, and go onto Allowances instead, over the next 3 years. They would suffer more hardship. They would miss out on at least \$20 to \$40 per week in extra income - much more if they have part time work. They would miss out on pensioner concessions.

¹² See Hansard (2002). A similar phrase was used in the Explanatory Memorandum attached to the Disability Reform Bill 2003.

¹³ The evaluation of the Disability Support Pension Job Network Trial highlights that the majority of pilot participants (62%) were already registered with a Job Network Provider before the trial but were not receiving intensive help. Without the impetus of being targeted as a priority for service providers, DSP recipients would be likely to receive less attention.

Under the current rules, these people would pass the stringent medical and other tests for DSP. That is, although they might be able to work part time, their disability is severe enough to prevent them working full time.

In addition, 64,000 *existing recipients* would receive lower pension payments in future – a reduction of at least \$ per week over a ten year period. They would also be required to look for work or participate in employment programs. Many existing DSP recipients would be more wary about looking for work and going off the pension, in case they had to reapply under the new rules and ended up on the lower, less secure Newstart Allowance.

2. A fairer approach

The government argues that Australia has a ‘disability pension problem’. In fact, the problem is a much wider one – that many people with disabilities have to rely for long periods on a range of social security payments. Many people with disabilities already receive other payments:

- There are roughly 50,000 Newstart Allowance recipients identified as having incapacities that exempt them from the activity test – one tenth of all Newstart recipients.
- A recent study estimates that about one in five sole parents on Parenting Payment suffer from depression¹⁴.

Most people with disabilities of workforce age would like to work, if given the opportunity and the support they need. Barriers to employment for people with disabilities include:

- Employers expect their workers to be a lot more productive these days, and many regard people with disabilities – often wrongly - as less productive.
- Employers don’t get much support to make the adjustments needed to employ people with disabilities – for example I.T. programs for sight impaired people.
- People with disabilities have diverse education backgrounds and skills, but on average they are less qualified. Full time jobs for people with limited qualifications have declined. For example, over the 1990s there was a net loss of 200,000 full time low skilled jobs.
- Most social security recipients with disabilities are unaware of what government employment programs like ‘Open Employment’ can do to help them find work, and there are queues for these programs. So only 6% of DSP recipients participates in these programs, even though many more would like to do so if it was offered.

¹⁴ Butterworth 2003.

- The cost of working is often prohibitive, for example taxis for people using wheelchairs or additional medication for people with a mental illness. Apart from a small Mobility Allowance and subsidies for specific services, governments provide only limited help with these costs.
- There is a perception that the DSP is a dead end payment for people 'unable to work'.

These problems confront other countries. None of the wealthy countries who are members of the OECD has succeeded in integrating people with disabilities into secure employment¹⁵.

Some argue that people with disabilities can be better helped to secure a job if they receive Newstart Allowance instead of DSP, but there is no reason this cannot happen while people are on disability pensions. Indeed, this approach is less likely to create disincentives to seek work. It would send the message that DSP is an active payment, not a dead end.

For these reasons, in last year's budget the New Zealand Government recently relaxed the '15 hour rule' which restricts recipients of Invalid's Benefits to employment of no more than 15 hours a week – ironically the same rule the Australian Government proposed to reintroduce to Australia in the 2002 Disability Reform Bill.

Most people with disabilities of workforce age can engage in paid employment, with the right help. But we should avoid false optimism. Simply requiring people with disabilities to actively look for work (for example by diverting them to Newstart Allowance) won't remove the barriers. Most people with disabilities need substantial help to overcome them. Further, a fundamental change is required in work cultures and practices. For example, many employers exclude people with disabilities from jobs because they are considered a higher 'compensation risk'.

Until these barriers are overcome, people with disabilities will need adequate income support. To encourage them to test the waters and look for work, they need the security that comes with knowing that income support is available to them if the job doesn't work out. Further, many people (for example, people with mental illnesses) can work for a while but then have difficulty sustaining a job when the illness recurs.

Diverting large numbers of people from one social security payment to another is a 'shell game' that brings little or no positive change for most recipients. The Disability Reform bill would entrench an undesirable feature of the existing DSP – the fact that it is viewed as the 'end of the road' by many recipients. It is likely that few of the promised extra employment assistance places would go to existing DSP recipients. Instead, the burgeoning number of Newstart Allowance recipients with severe disabilities (the main losers from the Disability reform bill) would likely have first call on this help.

There are positive signs that the government is taking a much broader view of disability reform than just reducing the number of people on DSP. Ministers

¹⁵ OECD 2003c.

acknowledge the need for better services, work with employers, and better incentives to overcome barriers to employment¹⁶. For example, the Government is reportedly planning to assist employers to cover the extra compensation risk associated with employing some people with disabilities.

The *McClure Report* on welfare reform and the *Building a Simpler System* discussion paper reform of payments for people of working age provide good foundations for comprehensive social security reform – including reform of payments for people with disabilities. They argue convincingly that partial reform will not work. The social security system as a whole needs restructuring to remove anomalies and increase workforce participation:

In Australia, pensions were originally for people who needed long term income support for retirement or because of a profound disability. Allowances were for people who were temporarily unable to work because they were unemployed or sick. Because of changing times, the original distinctions are now outdated and difficult to justify¹⁷.

Directions for reform

Rather than shift people from one social security payment to a lower one, ACOSS urges the Government to take a broader view of disability reform. The following are broad directions for disability reform, consistent with principles adopted by the *Disability Participation Alliance*, a national alliance of disability and welfare organisations established in February 2002 to address these policy issues¹⁸.

- ***First, we urge the Government to properly consult with organisations representing people with disabilities, and those involved in policy advocacy and the delivery of services in this area.***

We understand that major changes in disability policy, and possibly to DSP, will be announced on or before this year's federal budget on 10 May 2005.

Although the Government has indicated in the past that existing recipients of the disability pension would not be affected by the proposed changes, there is understandable concern among people with disabilities that their income security may be affected by changes to DSP. A formal public consultation process would help allay these fears and develop policies that realistically address the barriers to employment facing people with disabilities. Although the Government has consulted extensively over broader welfare reform (via the 'McClure Report'), formal consultations over disability reform conducted by the government in March 2005 lasted for only one

¹⁶ Andrews K (2005).

¹⁷ Vanstone & Abbott (2002), p3

¹⁸ Members include ACOSS, the Australia Federation of Disability Organisations, People with Disability (Australia), ACROD, ACE National and the Australian Welfare Rights Network. For details of the Alliance, see the publications link in the ACOSS website at www.acoss.org.au or the AFDO website at afdo.org.au.

month. There was no systematic attempt to directly consult with people with disabilities, as proposed by the Disability Participation Alliance¹⁹.

The government has promised a second round of consultation after the budget. It is vital that options are left open until this round is complete, not closed off by budget announcements. This second round should include thorough consultations with people with disabilities as well as disability and welfare organisations. The overall framework and objectives for reform, as well as the detail, should be open to discussion, and these discussions should not be rushed.

- ***Second, the focus of disability reform should shift from a narrow emphasis on reducing the number people on DSP towards a broad focus on engaging people with disabilities with employment regardless of which payment they receive.***

People with disabilities receive a range of social security payments. Most would benefit from a concerted effort to improve their work capacity and job prospects. Diverting applicants for DSP onto Newstart Allowance is not necessary to achieve this. Expanding employment assistance services and engaging people with disabilities with these services – *regardless of the payment they receive* - is a better approach. The Government's commitment to 68,000 new places in employment assistance is a good start. It is important to improve the quality of this help as well as its quantity. In particular, the Job Network needs much more resources and appropriately qualified staff to meet the needs of people with disabilities. The resources available to Job Network providers allow for little more than a series of 'standard interviews'. For example, the job seeker account which is supposed to fund assistance such as training to overcome barriers to employment is typically only about \$1,000 per person. This is nowhere near adequate to assist most people with disabilities. The better-funded *Open Employment* services that specialise in assisting people with disabilities are constrained by a cap on their overall level of funding, and therefore the number of places they can offer.

The Government and service providers should work with employers to open up job opportunities for people with disabilities. A national workforce strategy for people with disabilities should be developed by government in consultation with employers, people with disabilities, and service providers. The present culture of discrimination against people with disabilities and mature age workers among employers and in the community should be challenged. Employers should be offered advice and assistance with the costs of adapting workplaces and work practices. Preventive action should be also taken to ensure that more people with disabilities keep their *existing* jobs.

- ***Third, reform of disability pensions should be part of wider reform of payments for people of workforce age.***

Rather than shift people with disabilities from one social security payment to a lower paid one, ACOSS urges the government to pursue the broader reforms to social

¹⁹ Disability Participation Alliance (2005), correspondence with Minister Andrews, 1/3/05 and 14/3/05.

security payments for people of workforce age mapped out in the *McClure Report on welfare reform*, and its *Building a Simpler System* discussion paper²⁰.

Australia currently has two classes of social security payments: *pensions* and *allowances*. This two-class system belongs to a bygone era when ‘allowances’ were paid to tide people over a few months of unemployment and ‘pensions’ were reserved for people considered ‘unable to work’.

Things have changed since then:

- Many people on disability pensions want to work and resent being ‘written off’ on the pension. Yet they often have to queue up to get help with employment or rehabilitation.
- Many people on Newstart Allowance have disabilities and have to rely on allowances for long periods of time. About 50,000 Newstart recipients are exempted from the work test due to their disability or illness.

It is unfair that people in similar circumstances get \$20 to \$40 per week less. It is also the biggest disincentive to work in our social security system, because people often get shifted to the lower “allowance” payments as soon as they are ready to work.

This two-class social security system is the reason that many people would lose income if the original Disability Reform Bill were passed and they received Newstart Allowance instead of DSP. If the Government freezes pensions for some DSP recipients in real terms, the social security system would become even more complicated. People with disabilities would receive one of three levels of payment:

- the Newstart Allowance rate if they are *new applicants* assessed as able to work part time
- a new ‘frozen rate’ of pension if they are *existing DSP recipients* assessed as able to work part time
- the existing DSP rate if they are assessed as unable to work part time.

These anomalies provide an incentive for people to claim pension payments that require less active engagement with the labour market. For example, if the bill were passed, people already on the disability pension would be more reluctant to take on part time work or training for fear of losing pension entitlements.

Instead of downgrading people from one class of payment to a lower one, the government should progressively remove these anomalies without financially disadvantaging existing recipients or future applicants. If social security reform along these lines were implemented, people might still receive separate payments such as DSP or Newstart Allowance. But the difference between these payments would be the activity requirements and supports provided to help people obtain work – not the level of payment.

²⁰ McClure (2000), Vanstone & Abbott (2002).

New Zealand is showing the way. The Government there announced in February 2005 that it would implement reforms along the line proposed by McClure, Vanstone and Abbott in Australia. Under these reforms:

- All social security recipients will receive the same base rate of payment.
- Consideration is being given to introducing a *cost based disability payment* to assist with the direct cost of disability, both for social security recipients and people in paid work.
- Activity requirements will reflect individual circumstances. People considered able to work full time now will join a *rapid return to work* stream while those who need help to overcome barriers to work will join a *work development and preparation* stream²¹.

From 1998 to 2003, the Government successfully adopted an open, consultative approach to welfare reform, leading to the McClure Report in 2000 and the Building a Simpler System report in 2003. These reports identified the main strengths and weaknesses of our social security system, and proposed comprehensive reform in which the 'carrots' and 'sticks' were well balanced. For this reason, its welfare reform agenda has been broadly supported up until now. We urge the Government to continue on this course with its proposals to change social security and employment assistance for people with disabilities.

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²¹ Minister for Social Development and Employment 2005.

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Attachment

Background information on DSP

1. Disability Support Pension (DSP) eligibility and rate of payment

The Disability Support Pension was introduced in 1991, replacing the former Invalid Pension which had existed since 1908. To qualify for DSP a person must:

- be over 16 and under Age Pension age (currently 65 for men and 62 and a half for women)
- be permanently blind, or
- have a physical, intellectual or psychiatric impairment assessed at 20 points or more under the Impairment Tables; have a continuing inability to work of 30 hours a week or more for at least the next two years, and be unable to be retrained to work 30 hours a week or more within the next 2 years; and
- have 10 years qualifying residence or have become unable to work while in Australia.

The payment is made at pension rates – in late 2004, \$238 a week for a single adult and \$198 a week for a member of a couple. Both of these figures include a small component for a Pharmaceutical Allowance. Single young people aged under 21 receive less. The following supplements are available:

- Rent Assistance of up to \$48 a week for private tenants.
- A Remote Area Allowance of up to \$9 a week may also be payable.
- A Pensioner Concession Card, which provides access to subsidised pharmaceuticals, concessions on local council rates, water and sewerage costs, energy bills, motor vehicle registration and public transport. Other concessions may be available as determined by individual states and territories.

In addition, a number of incentive payments are available to DSP recipients to encourage take-up of employment, education and training:

- Pensioner Education Supplement of up to \$31 a week
- Language Literacy and Numeracy Supplement of \$10 a week
- Mobility Allowance of \$34 a week (also available to Newstart Allowees)
- Education Entry Payment of \$208 annually

- Employment Entry Payment of \$312

Base rates of payment for social security allowances such as Newstart Allowance are lower than for pensioners. The table below compares the two.

Table 7: Comparison of DSP and Newstart rates of payment (2004)

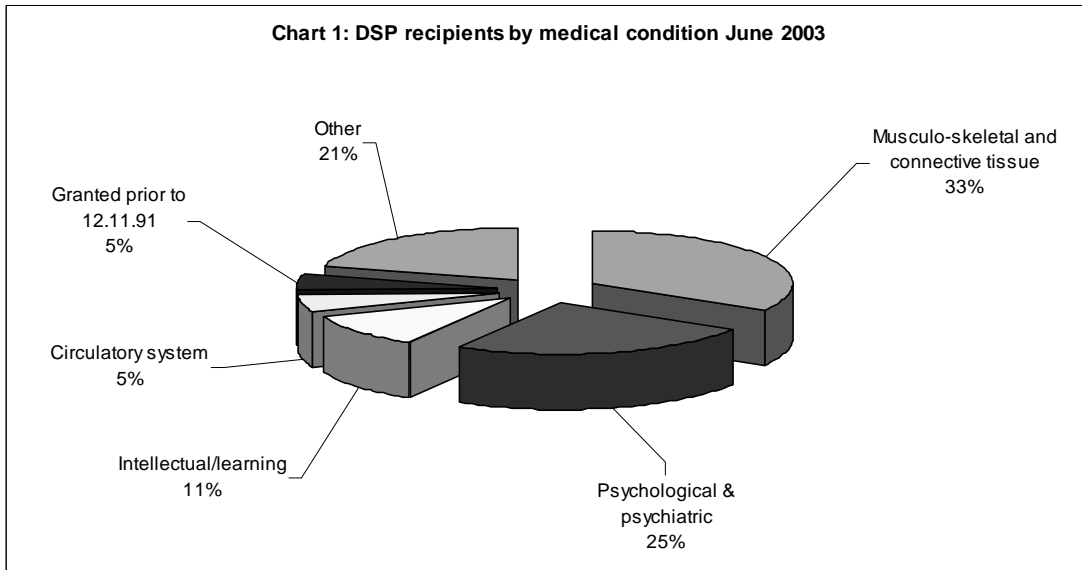
	DSP		Newstart	
<i>(Weekly figures)</i>	Single	Partnered	Single	Partnered
Basic benefit	\$235.35	\$196.50	\$197.30	\$178.00
Rent Assistance (max)	\$48.40	\$22.85	\$48.40	\$22.85
Pharmaceutical Allow	\$2.90	\$1.45	\$2.90*	\$1.45*
Telephone Allow	\$1.51	\$0.75		
Maximum total	\$288	\$222	\$249	\$202
Worse off:			\$40	\$19

* Pharmaceutical Allowance only paid to Newstart clients if temporarily incapacitated for work. All rates taken from Centrelink 2004.

Further, pensioner concessions are much more generous than those available to people on Newstart Allowance. For example, pensioners receive more generous public transport discounts, and Newstart Allowees do not generally receive rebates off their utility bills.

2. Who is getting DSP – by medical condition

The three main medical conditions which attract DSP are Musculo-skeletal and connective tissue (ie conditions affecting the bones, joints and connecting muscles) (34%), psychological and psychiatric conditions (25%) and intellectual and learning difficulties (11%). Circulatory conditions are the next largest at 5%. Two per cent of DSP customers (about 10,000) are identified as being blind.

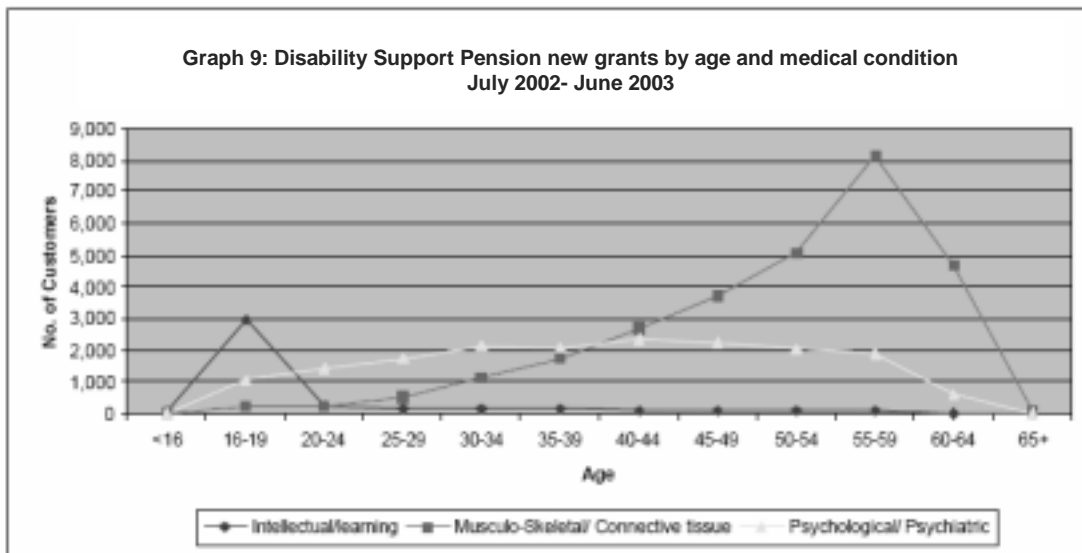


Data source: FaCS 2003a

The distribution of primary medical conditions is very similar for males and females. Males have a slightly higher prevalence of circulatory conditions, while females have a slightly higher incidence of psychological and psychiatric conditions.

Those with Musculo-skeletal/Connective tissue conditions are more likely to be older, those with psychological/psychiatric conditions are likely to be middle aged, and those with intellectual or learning disabilities is likely to be younger.

This is reflected in the medical conditions of those newly granted DSP in 2002-03 .



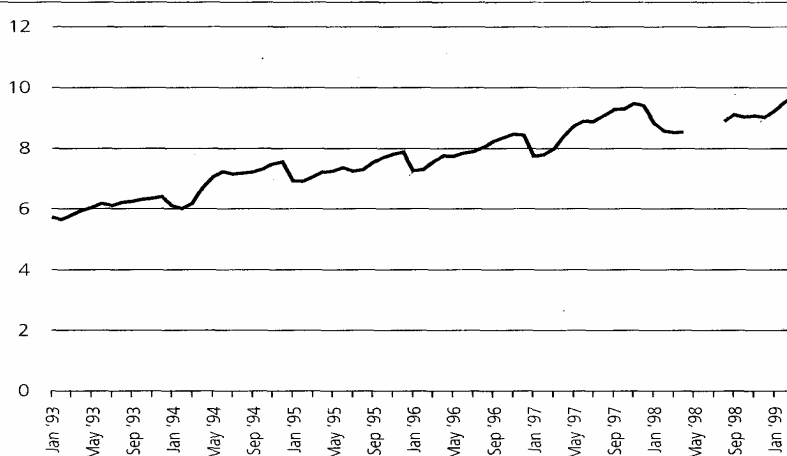
Source: FaCS 2003a

3. People with disabilities on other payments

Many people with disabilities already receive social security payments other than DSP. If the Government makes it harder to get DSP, people will simply be diverted to these other payments.

For example, there are 50,000 Newstart Allowance (unemployment benefit) recipients identified as having a substantial disability, and their number grew strongly throughout the 1990s. (see graph below).

Graph 4: Proportion of unemployed/Sickness Allowance customers who were sick/incapacitated, January 1993 to February 1998



Note: Figures for May, June and July 1998 have been omitted due to a lack of reliability in the data following the introduction of Newstart Common Platform (NCP).

Source: FaCS Longitudinal Data Set and Centrelink, Newstart supercross database.

Source: Warburton et al, 1999

There are many people with disabilities on other payments as well. For example, a recent study estimated that one in five of sole parents on Parenting Payment suffer from depression²².

4. Who gets employment assistance and how effective is it?

The employment programs available to people with disabilities on Newstart Allowance are already available - at least in theory - to disability pensioners on a voluntary basis. But no systematic attempt has been made to encourage DSP recipients to participate in employment or rehabilitation programs. One reason for this is that there is a chronic shortage of places in employment and training programs that specialise in helping people with disabilities - 'Open Employment' and 'Rehabilitation'. Funding for these programs has been capped.

²² Butterworth P 2003.

Another barrier to participation in job programs is that few DSP recipients have been referred to the Job Network (where places are not capped) because it is not properly resourced to meet their needs. The highest level of assistance within the Job Network is *Customised Assistance*, during which providers can draw on a 'Job Seeker Account' to fund training, job placements and other help to overcome barriers to employment. But the amount available for each highly disadvantaged job seeker is only about \$1,300. This won't buy much rehabilitation or training. Job Network funding is well below that available to specialist providers of employment assistance for people with disabilities²³.

As a result, in 2002-03 the number of places in the major employment programs occupied by disability pensioners was only about 6% of the number of DSP recipients over the course of the year (see following table).

Table 3: Places in employment programs for DSP recipients (2002-03)

	Open Employment	CRS	Job Network Intensive Assistance	PSP	Total
Clients on DSP in program	26,313	5539	6500	4000	42,352
Total program places	42,161	22,704	280,000	40,185 ²⁴	385,050
Proportion of program on DSP	62%	24%	2%	5-10%	11%
Proportion of DSP population over the year (728,273)	3.6%	0.8%	0.9%	0.6%	6%

Data source: FaCS 2003a, 2003c, 2003d, DEWR 2003, unpublished departmental advice on number of DSP recipients utilising CRS, Job Network and PSP places

Employment assistance is a worthwhile investment both for people with disabilities and for Government. But we should be realistic about the job prospects of disability pensioners in the short to medium term. On average, the chances that a DSP recipient will obtain secure, full time employment at award wages within 12 months of participating in one of these programs is less than one in five.

This estimate is based on the findings of a number of official evaluations of employment assistance programs and trials for people with disabilities²⁵. They include the recent Job Network pilot for people with disabilities, in which less than 10% of participants obtained a job for more than 15 hours a week that was sustained for more than 3 months.

²³ The highest level of funding available to assist a job seeker through the Job Network is around \$7,600 (only paid if the person achieves sustained employment), compared with funding levels of \$5,600 \$8,500 \$12,300 and \$18,000 for open employment services for people with disabilities, depending on the severity of the disability. The Government has already acknowledged that these funding levels for open employment services are inadequate, and budgeted in 2003 to increase them substantially.

²⁴ 2003-04.

²⁵ FACS 2002, 2003b, 2004, DEWR 2004.

Job outcomes for DSP recipients in employment programs ²⁶

A number of recent studies and data sources support our estimate that less than 20% of DSP applicants who participate in employment programs would obtain 'substantial employment' within 12 months. We use as a benchmark of 'substantial employment' a 'mainstream' job of at least 20 hours' employment for at least 13 weeks within 12 months of commencing a program. This is almost enough regular employment to remove a person from Newstart Allowance.

(1) Assessment and contestability trial (2000-2002):

After 1 year on the trial, with labour market assistance, only 10% of participants were in open employment for more than 20 hours per week. One quarter of participants were employed after 1 year, but most were employed for less than 20 hours a week.

This trial was voluntary and only 30% took up the option, so those assisted were less disadvantaged than the overall target population (technically speaking, there was 'selection bias'). A majority of participants were on Newstart or Youth Allowance rather than DSP, and were likely to be less disadvantaged in the labour market than average DSP recipients or applicants (though the long term DSP recipients in the trial were probably more disadvantaged than new DSP applicants - the group likely to be affected by the DSP changes)

(2) Case based funding trial (2001):

After 18 months of assistance from an open employment assistance provider, less than 20% of participants were in full time mainstream employment for more than 6 months, and most were employed as casuals. Most of these outcomes were achieved within the first 12 months (of those not placed in employment within that time, only 8% obtained a job within the next 6 months).

This trial population was a less disadvantaged one than for the Assessment and contestability trial, excluding those in supported employment (i.e. 'business services'). Half were on DSP and they achieved lower outcomes than the rest. Participation was voluntary and providers rejected some applicants so there was selection bias favouring people 'easier to place' in employment. Outcomes were relatively low for psychiatric conditions, brain injury, and vision impairment.

(3) CRS (2002-03)

In 2002-03, of DSP recipients in CRS over about a 12 month period, 23% obtained a mainstream job for 13 weeks or more, but an unknown proportion of the jobs were casual, or less than 20 hours.

(4) Job Network DSP pilot (2003-04)

After 10 months of participation in this pilot scheme, in which people were offered Intensive Support from Job Network providers, less than 10% of those participating in the pilot secured employment of more than 15 hours a week for at least 13 weeks (a 'primary outcome').

The trial population comprised 1,130 DSP recipients who voluntarily met with specialist disability Job Network members. Of these, 790 (70%) commenced Intensive Support after being assessed as suitable. For this reason, and due to the voluntary nature of the pilot, there was a selection bias favouring people 'easier to place' in employment. After 10 months, 53 participants were placed in full time jobs, 75 in part time work and 135 in casual jobs. Overall, 64 'primary outcomes' (substantial jobs lasting at least 3 months) were achieved, with a further 9 pending.

(5) DSP administrative data

In 2002-03, just 9.4% of DSP recipients declared earnings from employment. During 1998-99, just 10,855 exited the social security system as a result of a return to work (about 2% of the then 580,000 DSP recipients) Employment outcomes for 2002-03 were similar. The number of people who died while in receipt of DSP was 9,541. That is, the number of people who exit DSP as a result of earnings is about the same as the number who die while on the payment. Taking a longer view, of those DSP recipients who commenced the payment in 1995, only 16% had exited the social security system, other than through death, by 2000 - some five years later.

²⁶ Sources (in order of presentation) FaCS 2003b & FACS 2004; FaCS 2003a; Hansard 2004, DEWR 2004; FACS 2004; Parliamentary Library 2002 & Cai 2004.