



ACOSS Submission | July 2008

Australian  
Council of  
**Social Service**

***Submission to the Minister for Employment Participation and  
Parliamentary Secretary for Disabilities and Children's Services***

***National Mental Health and Disability Employment Strategy***

ACOSS, July 2008



## Table of Contents

Executive Summary .....	1
Recommendations .....	9
1. Setting targets to improve the employment prospects of people with disabilities .....	16
2. Assisting jobless people with disabilities to secure employment – employment assistance .....	16
Specialist disability employment programs .....	16
Mainstream employment services .....	20
Partnerships between employment assistance, health and social support services .....	21
Education and training .....	22
Fully subsidised work experience .....	24
3. Assisting jobless people with disabilities to secure employment – income support .....	26
Assessment of disability .....	26
Reform of the social security payment structure .....	27
Other financial disincentives to work .....	30
Access to education and training .....	31
Activity requirements .....	31
4. A workplace adjustment package for people with disabilities and their employers .....	33
Employment of people with disabilities in the public sector .....	35
Access to buildings, public transport and streets .....	36
5. Preventing long term joblessness among people with disabilities .....	36
Income support recipients .....	37
Existing employees .....	38
School leavers .....	39
Attachment .....	41

## Executive Summary

ACOSS welcomes the opportunity to submit to the Ministers our ideas on how to improve employment and reduce social exclusion among people with disabilities. The commitment to develop a national mental health and disability employment strategy is a vital step towards bringing more people with disabilities into secure employment. This will improve their living standards and social connectedness, help meet workforce shortages and grow the economy, and reduce long term reliance on income support.

A disability is the result of a combination of personal impairments (such as paraplegia) and attitudinal and environmental barriers that exclude people with impairments from full participation in society (such as lack of wheelchair access to buildings). The labour market plays a key role in this exclusion.

Along with many other OECD nations, Australia has failed to substantially improve the employment prospects of people with disabilities over the last decade and a half. From 1993 to 2003, the proportion of people with disabilities in Australia who are employed rose only marginally from 36% to 39%, and actually fell from a peak of 42% in 1998.<sup>1</sup> This was despite a large reduction in overall unemployment levels over this period (from 12% to 6%), including among people with disabilities (from 19% to 8%). A major reason for this result is that labour force participation among people with disabilities has remained stuck at around 50%. In 2003, nearly two thirds of OECD nations had higher employment levels among people with disabilities than Australia.<sup>2</sup>

Access to stable employment is critical to people's living standards, social engagement and status within society. For example, the risk of poverty for people with disabilities is at least twice that the community generally. The OECD estimated recently that 27% of Australians with disabilities lived below the austere poverty line generally used in their research.<sup>3</sup> People with disabilities generally have much lower household incomes than those of people without disabilities. For example, 27% of people with disabilities live in households in the bottom 20% of the income distribution compared with 10% of those without disabilities (see graph below).

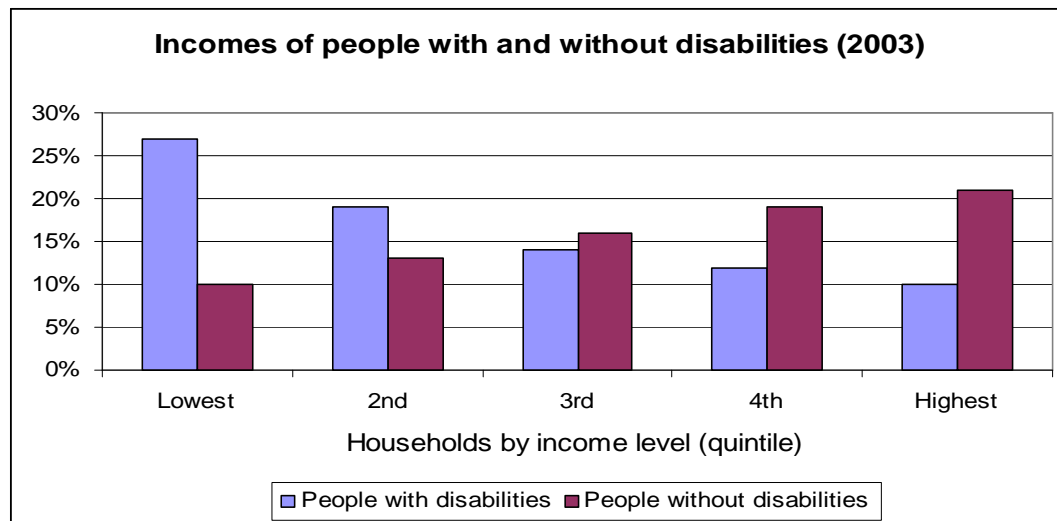
---

<sup>1</sup> These data and the figures below refer to people with 'core activity limitations' in regard to communication mobility or self care. Data are for persons aged 15 to 64 years only. ABS 1993 and 2003, *Disability Ageing and Carers survey*. OECD 2007, *Sickness disability and work*.

<sup>2</sup> OECD 2003, *Transforming disability into ability*.

<sup>3</sup> OECD 2007, *Sickness disability and work, breaking the barriers*. Poverty line is 50% of median disposable income.

**Figure 1: People with disabilities have lower incomes**



Source: ABS 2003, *Disability ageing and carers survey*.

Another good reason to raise employment levels among people with disabilities is that the prevalence of disabilities in the community is beginning to rise as the population ages. For example, it is estimated that the number of people of working age with 'severe or profound' disabilities will rise by 7% from 2006 to 2010, mainly due to a 33% increase the number with these disabilities among people aged 45 to 64 years.<sup>4</sup> The incidence of disability in Australia's potential workforce is likely to continue to rise over the next 20 years. Policies to integrate more people with disabilities into the workforce will therefore play a key role in broader strategies to boost participation.

### **Diversity among people with disabilities**

The stereotypical perception of disabilities is that they are associated with a narrow range of impairments such as restrictions of hearing or sight, a loss of limbs, or an intellectual disability. However, the population of people with disabilities is much more diverse, including many people with mental health conditions or whose mobility is severely restricted by back injuries.

The diversity of experience among people with disabilities means that policies and services that work for one group will fail when applied to another. It is therefore important to distinguish between different populations of people with disabilities including people whose impairments arose early or later in life, people with mental health conditions and physical disabilities, those with higher or lower educational attainments, those with disabilities that deteriorate (such as Multiple Sclerosis) or have an intermittent impact (such as psychoses), compared with stable or improving conditions.

People with disabilities do not all progress in a single direction from 'welfare' to 'work' or from 'illness' to 'cure'. Some face deteriorating job prospects while others will need ongoing support once employed. For example, many people with physical injuries are competitive in the labour market following rehabilitation, while people with mental health conditions or

<sup>4</sup> Australian Institute of Health and Welfare 2007, *Australia's Welfare*.

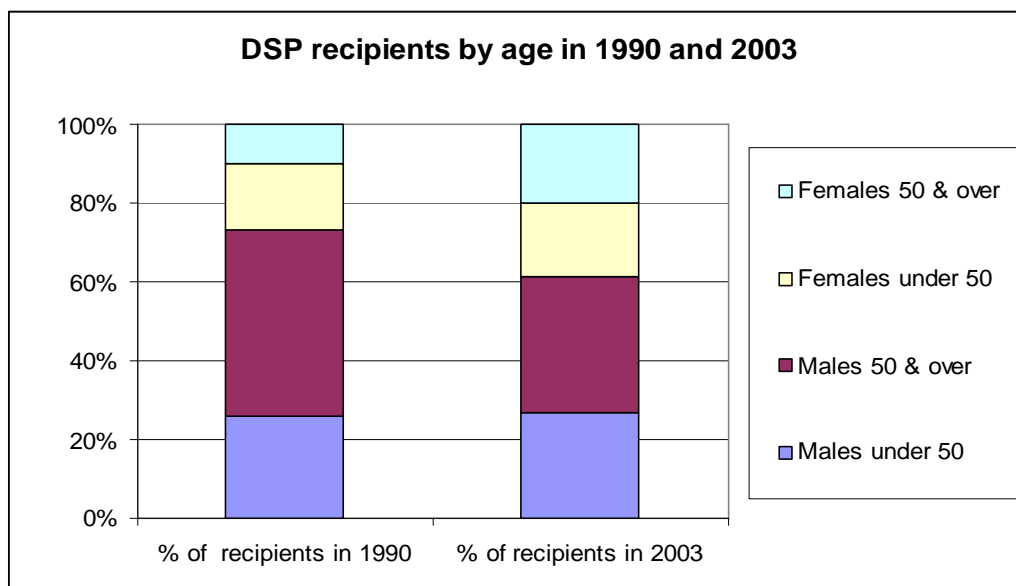
intellectual disabilities are more likely to need ongoing support in employment. Most of those with limited qualifications would benefit from further education and training.

### DSP myths

In the past public policy discussion on the reasons for poor employment outcomes for people with disabilities has often focussed on the role of the Disability Support Pension (DSP). The previous Government argued that DSP had become easier to claim, and that this led to the exclusion of growing numbers of people with 'mild' disabilities from the workforce especially mature age males with back conditions. The Welfare to Work policy, the centrepiece of which was a tightening of eligibility for DSP, was to a large extent built on this assumption. However, this is a limited and misleading account of the causes of low employment rates among people with disabilities:

- Although the number of recipients doubled over the 1990s (from 317,000 in 1990 to 673,000 in 2003), reliance on disability pensions is about average by OECD standards (at 6% of people of working age). Of greater concern than the overall number of DSP recipients is the fact that only 11% of recipients are employed, which is low by international standards.
- If we focus on the DSP to the exclusion of other payments, we miss the whole picture. For example, one of the main reasons for recent growth in DSP recipients is that other payment options (such as age pensions for women over 60) were closed off for people with disabilities.
- There is no evidence to suggest that overall eligibility conditions for DSP were loosened in the 1990s, and most of the growth in DSP recipients over that decade came not from mature age males but from women and younger people (see graph below).

**Figure 2: Growth in DSP recipients has come mainly from women and younger people**



Source: ACOSS 2002, *Key causes of the rise in DSP recipients*, ACOSS Info 322.

More detailed analysis of the causes of the increase in DSP recipients in the 1990s is presented in the Attachment at the end of this submission.

### **Likely causes of poor employment outcomes**

Many OECD countries including Australia have struggled to improve employment outcomes for people with disabilities. As in other countries, the employment prospects of Australians with disabilities declined sharply after the recession in the early 1990s. However, in contrast to the experience of people without disabilities their job prospects failed to improve once the economy recovered. These trends contributed to the steady rise in the number of people on the DSP over this period.<sup>5</sup>

The underlying causes of Australia's failure to make inroads into joblessness among people with disabilities in times of strong economic growth appear to be a labour market that makes greater demands of employees, a social security system that makes greater demands of unemployed people, and a lack of investment in the supports that would enable people with disabilities to succeed in this new environment.

A relatively high proportion of people with disabilities of working age have low education and skill levels, due in part to their age profile and the higher incidence of poor health and workplace accidents among low skilled blue collar workers. In 2003, 49% of people with disabilities of working age had less than upper secondary education compared with 28% of those without a disability. This group was particularly affected by the recession of the early 1990s and by workplace restructuring over the past 20 years.<sup>6</sup>

These economic vulnerabilities were compounded by the way in which the labour market responded to their disabilities. There is a widespread perception among employers that people with disabilities are less productive or represent an insurance risk. Over the last 20 years, many low-productivity jobs that were traditionally regarded by employers as suitable for people with disabilities disappeared, while employer expectations of the capabilities of a 'productive worker' increased. These perceptions reflected a lack of knowledge and experience in employing people with disabilities. If recruitment and work practices and workplaces are adjusted appropriately, most people with disabilities can work productively. They are also more likely to stay in the same job for longer and are less likely to make compensation claims.<sup>7</sup>

However, there was limited investment by Governments in programs to educate and support employers to engage people with disabilities and adapt workplaces and work practices accordingly. Further, there was a lack of preventive action to help people with disabilities already in employment to keep their jobs, aside from those that result from a workplace accident.

People with disabilities have also received insufficient help to overcome wider barriers to employment including the extra costs associated with a disability (including transport,

---

<sup>5</sup> This trend is similar to that observed in the US over the 1980s and 1990s. See Birkhauser 2002, *The Employment of People with Disabilities in the 1980s and 1990s*, Department of Economics Cornell University.

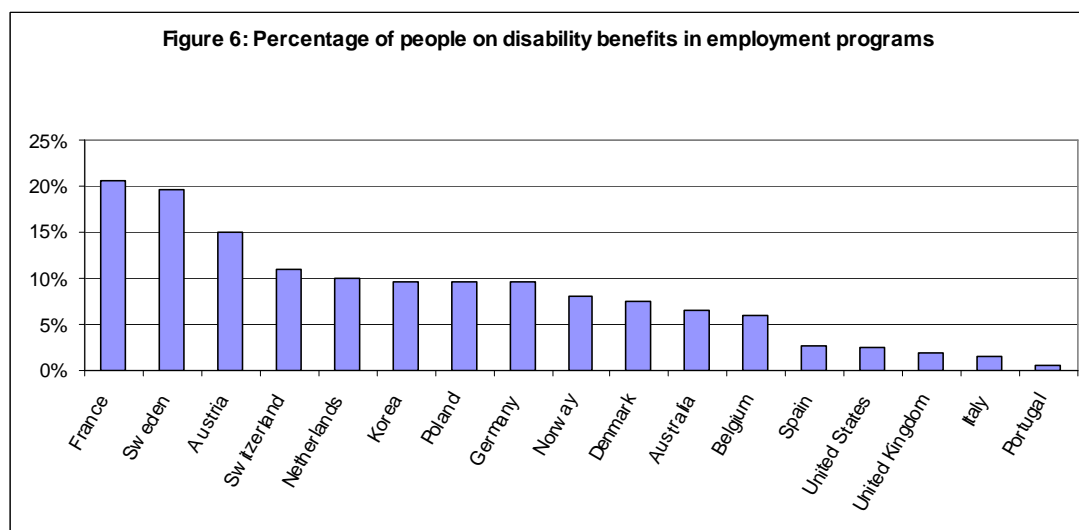
<sup>6</sup> OECD 2007, op cit, Productivity Commission 2007, *Men not at work*.

<sup>7</sup> HREOC 2005, *Workability II: solutions*; Australian Safety and Compensation Council 2007, *Are people with disability at risk at work? A review of the evidence*.

communication and health related costs), limited access to appropriate primary health care and other support services for people with mental illness, and lack of access to buildings for people with physical disabilities.

As employees were required to work more productively and unemployed people were required to become more active in the labour market, people with disabilities were increasingly excluded from jobs and unemployment payments. This sorting process was aided by new assessment tools such as the Job Seeker Classification Instrument and better diagnosis of chronic illness, especially mental health conditions. Better assessment of disability did not, however, lead to substantially more investment in employment assistance tailored to their needs. Australia invests just 0.06% of GDP in specialist employment programs for people with disabilities, which is about half the OECD average, and access to these programs among people with disabilities is relatively limited (see graph below).

**Figure 3: Access to employment programs is relatively limited in Australia**



Source: OECD 2003, *Transforming Disability into Ability*.

As a result of the above factors, the sorting processes within the income support system led increasingly towards disability pensions rather than employment. Over one third (37%) of people entering DSP came from Newstart Allowance, which suggests that mainstream employment and income support programs for long term unemployed people have not worked for people with disabilities.

The DSP remains a largely passive payment and there are strong disincentives in the social security payment structure for DSP recipients to participate in the labour market. If they do so, they place their pension at risk and may be transferred to Newstart Allowance which is a much lower and less secure payment for people with disabilities. Very few recipients leave DSP for employment, and the proportion that do so has declined over the past 30 years.

## Positive signs for the future

The overall incidence of disability among people of working age will continue to rise due to population ageing but the following factors should improve their employment outcomes:

- The labour market is tightening, and will continue to do so in the longer term as the population ages.
- The trend towards early retirement appears to be reversing. For example, the proportion of people aged 55 to 65 years participating in the labour force rose from 46% in 1993 to 50% in 2003.<sup>8</sup>
- Education levels are rising, especially among young people, though the gap in education levels between young people with and without disabilities is widening.<sup>9</sup>
- A diminishing proportion of people are employed in low skilled manual occupations where the risk of injury is relatively high and long term employment prospects are relatively weak, and occupational health and safety standards have generally improved.

## The previous Government's Welfare to Work policy

The main policy response to high levels of joblessness and reliance on income support among people with disabilities in recent years was the previous Government's Welfare to Work policy. The key elements of this policy were:

- A stricter test for eligibility for future claims for DSP, excluding people assessed as having a 'partial' capacity to work (able to work for at least 15 hours a week), with existing DSP recipients 'grandfathered'.
- A modest expansion of specialist disability employment services focussing on those with the new activity requirements rather than existing DSP recipients.
- A new Job Capacity Assessment which placed less emphasis on medical assessment of impairment and more emphasis on capacity to work.
- An easing of the income test for Newstart and Youth Allowances, though this was still stricter than that applying to pensions.

The main weakness of this policy was that the problem it was designed to address was narrowly defined as growing reliance on the DSP. By defining the problem in this way, the policy did not adequately address wider barriers to employment for people with disabilities on income support. In the absence of a comprehensive employment strategy for people with disabilities their job prospects will remain low regardless of which payment they receive. Further, many people with a partial work capacity receive lower income support payments than they would have under the previous system and existing DSP recipients are more reluctant to seek employment for fear of dropping down to Newstart Allowance.

---

<sup>8</sup> OECD 2005, *Employment Outlook*.

<sup>9</sup> OECD 2007, *op cit*.

The limited information available so far on the outcomes of the Welfare to Work policy suggest that:

- The number of new claimants for income support placed instead on Newstart or Youth Allowance instead of the DSP was lower than anticipated (8,800 in the first year instead of 18,000).<sup>10</sup>
- Few of those directly affected have obtained substantial, ongoing employment. Only 9% of those people with a partial work capacity who were placed on Newstart Allowance as a result of the package were off benefits six months later.<sup>11</sup>
- Most of those people with disabilities who are now being paid Newstart Allowance and other allowance payments instead of the DSP are likely to be financially worse off. Taking account of the various concessions, Newstart Allowance is currently \$68 per week lower than the pension for a single adult (see table below). Those who meet the new activity requirement of at least 15 hours' employment per week also face a higher clawback of their payments under the Newstart Allowance income test than would have applied on the pension.

**Table 1: Anomalies in income support payments for people with disabilities (June 2008)**

Entitlements	Disability Support Pension	Newstart Allowance (partial work capacity)
Maximum rate	\$273 pw	\$219 pw for Newstart Allowance \$197 pw for Austudy Payment
Income test free threshold	\$66 pw	\$31 pw
Main income test taper rate	40%	60%
Concessions	Pensioner Concession Card, Pensioner Education Supplement (up to \$31 pw), Utilities Allowance (\$500 pa), Pharmaceutical Allowance (\$151 pa), Telephone Allowance (\$88 pa) Mobility Allowance (up to \$53 pw)	Pensioner Concession Card, Mobility Allowance (up to \$53 pw)

### Policy directions to improve the employment prospects of people with disabilities

We commend the Government for committing to a national strategy to improve the job prospects of people with disabilities as part of its broader National Disability Strategy. To focus the efforts of Governments and service providers on this task, a set of targets to improve employment outcomes for people with disabilities is desirable. Where possible, the targets should be broken down according to the kinds of employment and education outcomes achieved (for example full and part time employment and education and skill levels attained).

<sup>10</sup> DEWR 2006, *Annual report*. Altogether, there were 25,000 Newstart recipients with a partial work capacity (who would previously have received DSP). The other 16,000 were not new claimants for income support.

<sup>11</sup> Hon Sharman Stone 2007, *Address to National Disability Services forum*, Sydney 30 July 2007.

A comprehensive strategy is needed to overturn the systematic exclusion of people with disabilities from employment and a decent standard of living. Policies that move people from one income support payment to another may increase participation in the labour market for some but this is no guarantee of better employment outcomes. Where they are moved to lower payments these policies may instead further impoverish people with disabilities.

An effective employment strategy can be built on three pillars:

- Support for jobless people with disabilities to participate effectively in the labour market.

This requires structural reform of income support for people of working age to remove anomalies between payments that discourage workforce participation. People with disabilities should not have to risk lower payments as they engage with the labour market. They should be supported to meet the extra costs arising from their disability.

It also requires a more substantial investment in specialised and mainstream employment programs and action to overcome barriers to training.

- A workplace adjustment package to encourage and support employers to hire people with disabilities.

These should extend beyond people with disabilities on income support because the job prospects of people with disabilities generally are unlikely to improve without a major shift in employer perceptions and engagement. This is more likely to come from practical experience rather than educational or publicity programs alone. Employers are more likely to hire people with disabilities if they perceive that the practical supports are in place to address their concerns including insurance risk, workplace adjustments, productivity, and access to support and advice in the event that problems emerge. Once more people with disabilities are employed it is likely that many of these concerns will diminish.

- Policies that prevent people with disabilities from becoming jobless long term.

This requires attention to school to work transitions for young people with disabilities, identification of the main pathways to long term unemployment among those on income support (including those whose disabilities are hidden in the system such as Parenting Payment recipients), more intensive employment assistance for long term unemployed people generally, and assistance for people with disabilities to retain their current jobs.

Although beyond the scope of this submission, a range of policies that are not disability-specific are also likely to have an impact on their future employment levels. These include investment in education in disadvantaged communities, second chance education and training for those with low qualifications, incentives to delay retirement, preventive health programs and workplace health and safety programs.

## **Recommendations**

### **Setting targets to improve the employment prospects of people with disabilities**

1. The Government should set targets for the successful integration of people with disabilities into the paid workforce including:
  - The employment rate of people with disabilities of working age, together with specific targets to raise the employment rates of people with disabilities in the income support system and in the public sector.
  - Education levels and access to training for people with disabilities of working age.
  - Successful transitions to employment, for example from education to work, and from employment programs to sustained employment.

### **Assisting jobless people with disabilities to secure employment – employment assistance**

#### *Specialist disability employment services*

2. Review specialist disability employment services with the aim of establishing a system of demand-driven programs with a strong focus on sustained employment outcomes for people with disabilities, targeted mainly towards those on working age income support payments.
  - In the interim, funding for DEN and VRS should be uncapped.
  - Transfer the administration of Prevocational Participation Accounts to specialist disability employment service providers and incorporate these funds into the relevant fee structures.
3. An open system of evaluation, data sharing and feedback on best practice should be established across specialist and mainstream employment assistance programs:
  - DEEWR to undertake and publish regular evaluations of the net impact of disability employment services on employment and provide research support to experimental (random assignment) programs.
  - DEEWR to make available to peak bodies (including ACOSS) and independent researchers regular data on job seeker profiles, flows (including benefits and employment services), and outcomes (including employment and skills) on a national and regional level.
  - Alternately, an independent body could be established to undertake regular monitoring and evaluation of the effectiveness of employment assistance services using these data, which it would make available to stakeholders and researchers. Using this information, the body could offer technical assistance to providers.

### *Mainstream employment assistance services*

4. The design of Stream 4 of the proposed new mainstream employment services system should be modified to ensure that those socially disadvantaged job seekers receive the social and health supports they need to progress to employment:
  - Employment Service Providers should be permitted to specialise in the provision of Stream 4 services.
  - All existing Personal Support Program participants should transition into Stream 4.
  - Consideration could also be given to the introduction of a system of Outcome Fees to reward social outcomes or milestones towards employment for these job seekers.

### *Relationships between employment programs for people with disabilities and State and Territory health and social support programs*

5. Require State and Territory Governments, as part of the National Reform Agenda, to incorporate work readiness targets (and a requirement to partner with Commonwealth employment assistance providers to achieve them) into their funding priorities and performance indicators for health and social support services:
  - This could include joint funding and evaluation of Individual Placement and Support strategies in which DEN/VRS and mainstream employment service providers partner with State and Territory Government-funded health and social support agencies (especially mental health and drug and alcohol support services) to achieve employment outcomes for people with severe disabilities or social barriers to work.

### *Access to education and training*

6. Remove remaining disincentives for mainstream employment service providers to invest in training, including by rewarding training outcomes in Star Ratings, and extending existing Outcome Fees for education and training outcomes for young people with low education levels to adults in similar circumstances.
7. Incentives and resources should be given to Employment Service Providers and Registered Training Organisations offering Productivity Places training to collaborate to support job seekers with barriers to training, including disabilities.<sup>12</sup>

---

<sup>12</sup> See ACOSS 2007, *The role of education and training in welfare to work policies*; ACOSS 2008, *Submission to the Department for Education, Employment and Workplace Relations on the Productivity Places program*.

*Paid work experience*

8. Establish a fund to support experimental programs of paid employment experience for people with severe disabilities, including mental health conditions and drug or alcohol addictions, where work is performed under conditions closely approximating regular employment including in social firms.
  - The employment and other impacts of these projects would be evaluated and published using experimental research methods.

**Assisting jobless people with disabilities to secure employment – income support**

*Assessment of disability*

9. Separate the processes of assessment for employment assistance and income support to remove a key disincentive for DSP recipients to participate in employment programs (fear of loss of pension).
10. Ensure that Job Capacity Assessment (JCA) panels include experts with knowledge of the impairments of each applicant, and are encouraged to obtain evidence from treating doctors and specialists, as appropriate.
11. Take account of the combined effect of caring responsibilities and disabilities on people's capacity to undertake employment.

*Reform of the social security payment structure:*

12. Work towards a single core rate of income support for people of working age based on the income support needs of single adults generally, supplemented by payments for specific costs including the costs of children (including the costs associated with sole parenthood), housing costs, the costs of disability and the costs of participation in employment education or training.
  - Care should be taken to ensure that no group is worse off, and that those with the greatest gaps between their income support needs and payments are better off.
  - An initial step would be to raise the level of Austudy payment to equal that of Newstart Allowance (see R15 below)
  - Incorporate this core rate of payment into a single 'platform' of core eligibility requirements and entitlements for people of working age, including residency requirements, assets tests, and concessions, but not activity requirements.
  - Retain separate categories of payment for the purpose of setting activity requirements, and possibly for income testing (for example, if some groups are required to seek part time work while others are required to seek full time jobs).
  - Introduce a cost of disability supplement that takes account of the additional expenses typically associated with disabilities (for example, the costs of mobility for people with physical disabilities).

- Introduce a participation supplement to assist with the extra costs of participation in employment, job search, training or other work preparation activities.

#### *Financial disincentives to work*

13. Apply the same income test for Allowance recipients as for pensioners.
  - Alternately, introduce a more liberal income test for those income support recipients who are required to seek part time work but not a full time job.

#### *Access to education and training*

14. Participation in approved part time education or training (of at least 15 hours a week on average) should be accepted as meeting the activity requirements for income support recipients with a partial work capacity.
15. The level of Austudy Payment should be raised to equal that of Newstart Allowance, so that jobless people undertaking full time training or study receive the same level of income support as those currently seeking employment.
16. The Pensioner Education Supplement should extend to income support recipients with a partial work capacity.

#### *Activity requirements*

17. A more flexible system of activity requirements for people with an illness or disability should be introduced that takes account of the circumstances of people with newly diagnosed and episodic conditions.
  - People with partial work capacity who are currently required to attend Centrelink fortnightly should instead be required to attend on a monthly basis.
  - A separate, more flexible set of activity requirements should be introduced for job seekers in Stream 4 of the proposed employment services system.
18. The system of vulnerability indicators in the Newstart Allowance compliance system should be strengthened and these vulnerable job seekers should be exempt from the proposed 'no show – no pay' requirements.

### **A workplace adjustment package for people with disabilities and their employers**

19. A workplace adjustment package could be developed to assist employers and jobseekers with disabilities who are unable to access the full range of specialist disability employment services (including those not eligible for income support payments) to make adjustments that enable them to commence and retain employment including:

- Information, advice and referral
- Personal and workplace assessments
- Workplace modifications and equipment
- Work trials
- Mentoring and support

This could be delivered either by extending access to the existing assessment system and specialist disability programs (DEN and VRS) more broadly, or by building on the Job Access arrangements.

20. Once the proposed work adjustment package is in place, a publicity campaign targeting employers, people with disabilities and professionals could be initiated to promote employment of people with disabilities and to advertise the programs available.

- This could include publication of fact sheets addressing some of the myths and facts surrounding employment of people with disabilities, including perceptions that they are more likely to make workers compensation claims and are less reliable at work.

21. Government programs and legislation to encourage flexible work arrangements, including flexible working hours for people with caring responsibilities, could also address the need for flexible work arrangements for people with disabilities.

22. The Government could support the employment of liaison officers by employer organisations and unions to assist them to promote and support the employment of people with disabilities within their networks.

### *Public sector employment*

23. The Government should commit to targets to increase the proportion of people with disabilities employed across the public sector and within individual agencies:
- It should develop and share with other employers the human resource policies and expertise necessary to achieve these targets.

### *Improving accessibility*

24. The following steps should be taken to improve accessibility for people with physical disabilities:
- Introduce an Access to Premises Standard under the Disability Discrimination Act 1992 and offer financial incentives to small enterprise to upgrade existing buildings to the Standard.
  - Bring forward implementation of the Disability Standards for Accessible Public Transport.
  - Work with local government authorities to introduce universal standards for the accessibility of local streets;
  - Work with state territory and local government authorities to introduce housing standards for people with disabilities in building codes.

## **Preventing long term joblessness among people with disabilities**

### *Income support recipients*

25. Further statistical analysis should be undertaken of the income support, employment service and employment pathways of people with disabilities on income support, and the results should be published as soon as practicable.
26. Services for those at risk of prolonged unemployment – especially those with health or social barriers to work – should be strengthened in the proposed new mainstream employment services system:
- The proposed fees for mainstream employment service providers offering Work Experience should be substantially increased, preferably to equal those paid for job seekers in Stream 3, and be paid annually.
  - Outcome Fees could extend beyond the first 3 to 6 months of employment to up to 12 months, especially for those in Stream 4.
27. Steps could be taken to identify people with disabilities on working-age income support payments who receive neither DSP nor activity tested payments (for example, recipients of Parenting Payment with no school age children), and to offer them the same assessments and suite of employment assistance services available to recipients of these payments.

### *Existing employees*

28. The proposed workplace adjustment package could extend to existing employees taking into account the services already provided through workers compensation systems and specialist disability employment programs:
  - Employers and health and vocational professionals could be asked to provide employees absent from work long-term due to an illness or disability with information on the services available to them under the workplace adjustment package and employers and employees could be encouraged to use it.

### *School leavers*

29. School leavers with disabilities and their parents could be provided with information on employment related supports from the workplace assessment and adjustment package and specialist disability employment services through careers counsellors and other professionals working with these students and their families.
30. The Government could consult with State and Territory Governments to improve coordination between disability employment services and State and Territory care and support programs for school leavers with severe disabilities including post-school options programs for young people with intellectual disabilities.

## **1. Setting targets to improve the employment prospects of people with disabilities**

The Government should set broad targets for its National Mental Health and Disability Employment strategy to provide a clear medium and long term focus for the efforts of Governments and service providers. Where possible, the targets should be broken down according to the kinds of employment and education outcomes achieved (for example full and part time employment and education and skills levels attained).

### **Recommendation**

1. The Government should set targets for the successful integration of people with disabilities into the paid workforce including:
  - The employment rate of people with disabilities of working age, together with specific targets to raise the employment rates of people with disabilities in the income support system and in the public sector.
  - Education levels and access to training for people with disabilities of working age.
  - Successful transitions to employment, for example from education to work, and from employment programs to sustained employment.

## **2. Assisting jobless people with disabilities to secure employment – employment assistance**

Many people with disabilities need specialised help to obtain and keep a job. These services include additional prevocational support such as rehabilitation to help them prepare for work, help to negotiate workplace and job adjustments with employers, and mentoring and other support to retain a job.

### **Specialist disability employment programs**

The major specialist employment programs are the Disability Employment Network (DEN) and Vocational Rehabilitation Services (VRS). DEN includes a compulsory program for people on activity tested payments which is demand driven and a capped program for voluntary participants, mainly DSP recipients. Most clients of VRS services have physical disabilities while most DEN (capped) clients have intellectual disabilities or mental health conditions. Supported employment is also available through Business Services.

Australia spends much less on these programs than the OECD average (0.06% of GDP compared with an average of 0.11%). A major reason for this is that both DEN (capped) and VRS are capped programs. Since their main target group is DSP recipients, this limits access to employment supports for up to 714,000 people, around half of whom indicate that they are interested in securing employment either now or in the future. It is likely that this proportion would be higher if more recipients were approached and encouraged to

participate. A survey commissioned by FACS found that 45% of DSP recipients were unaware of DEN or VRS services.<sup>13</sup>

The available data on program outcomes suggests that employment outcomes are very difficult to achieve for people with disabilities sufficiently severe to qualify them for the DSP. For example, examination of these data suggests that less than one in five DSP recipients obtain employment of at least 15 hours a week within 6 to 12 months of commencing participation in programs (see box below).

The most likely reason for this is the intractability of the barriers to work facing DSP recipients, in particular employer reluctance to engage people with disabilities they perceive as severe. That is, in the absence of employment assistance, their employment prospects would have been even lower. To properly assess the effectiveness of existing programs and test which forms of employment assistance work best for different groups of clients, net impact studies that compare the employment outcomes of participants with a matched sample of non-participants are needed. This is a glaring information gap in the evaluation of disability employment programs.

#### **Job outcomes for DSP recipients in employment programs<sup>14</sup>**

Results from a series of evaluations and pilot schemes suggest that less than one in five DSP recipients who participate in employment programs typically obtain employment of 15 hours a week or more (the work requirement for people with a partial work capacity) lasting for 13 weeks.

(1) 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 (an unknown number declined to participate). 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. Ten were placed in full time jobs, 75 in part time work and 135 in casual jobs. Over the course of 10 months, 64 primary outcomes were achieved, with 9 pending.

(2) DEN

Currently, around 36% of DEN (capped) clients (the vast majority of whom were on DSP) achieved employment outcomes of at least 8 hours a week for 26 weeks and the average hours worked by those in jobs was 21 hours. It is not clear what proportion has jobs for more than 15 hours per week.

<sup>13</sup> Nucleus Group 2004, op cit; Productivity Commission 2007, op cit.

<sup>14</sup> Sources (in order of presentation) *Job Network Disability Support Pension Pilot: Interim Evaluation Report*; FACS 2004, op cit; FaCS 2003, *The Assessment & Contestability Trial Evaluation Report*; FACS 2004, *Case based funding statistical update*; FaCS 2003a, *Characteristics of Disability Support Pension Customers June 2003*; Senate Community Affairs Legislation Committee 2002, *Budget Estimates hearings Monday 3 June 2002*; DEWR 2004, Parliamentary Library 2002, *Bills Digest No 157 2001-02*; Cai, L 2004, *Length of completed spells on the Disability Support Pension (DSP) program in Australian Social Policy 2002-2003*.

### **Job outcomes for DSP recipients in employment programs (continued)**

(3) VRS

In 2006-07, 39% of VRS clients were employed three months after participation in the program. However, not all were DSP recipients and it is likely that many of these jobs were for less than 15 hours a week. By way of comparison, in 2002-03, of DSP recipients in the CRS over about a 12 month period obtained employment for 13 weeks or more, but it is not known what proportion of the jobs were for less than 15 hours.

(4) 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 probably 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, though many were long term DSP recipients.

(5) Case based funding trial (2001):

After 18 months of assistance from an open employment assistance provider, around 35% of participants were employed for 8 hours a week or more (similar to current outcomes for the DEN capped stream), though less than 20% were in full time jobs for more than 6 months, and most were employed as casuals. Most of these outcomes were achieved within the first 12 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 a potential selection bias favouring people who were easier to place in employment. Outcomes were relatively low for psychiatric conditions, brain injury, and vision impairment.

Employment outcomes for all people with disabilities participating in the Job Network are significantly higher than this. For example, for the year to June 2007, 12% of people with disabilities were in fulltime employment and 26% were in part time employment three months after participating in Customised Assistance.<sup>15</sup> However, this is a broader group of people with disability than those assessed as eligible for DSP and those with a partial work capacity. In overall terms, this group is likely to be less disadvantaged in the labour market. By contrast, in the Job Network DSP Pilot (which offered Customised Assistance to 'volunteers' on DSP), less than 10% of participants secured employment of at least 15 hours a week for at least 3 months.

There is little public information available on the employment outcomes of those most affected by the Welfare to Work policy (people who are assessed as having a partial capacity to work). The only specific data we were able to obtain on employment outcomes for this group was the previous Minister's statement that of those who participated in employment programs in the first 3 months after the introduction of Welfare to Work

<sup>15</sup> DEWR, *Labour market assistance outcomes*.

changes in July 2006, 9% were off income support 6 months later. Even if most of these people left income support for full time jobs, this is a very modest success rate.<sup>16</sup>

If the probability of employment is low for most people with disabilities in the absence of employment assistance, this suggests that there may be considerable scope for effective programs to improve their job prospects. Employer reluctance to engage people with what are perceived to be severe disabilities is likely to be the main reason for low employment outcomes for many jobless people with disabilities. Therefore, services that consistently engage with employers to 'market' their job seekers, help with the redesign of work and modification of workplaces, and offer ongoing support for both the job seekers and employers once they secure a job, are likely to be relatively effective.

The existing suite of specialist disability programs, including DEN, VRS and Business Services, should be reviewed together to assess their effectiveness and determine whether changes are required. Data on client profiles and employment and other outcomes should be thoroughly analysed and made publicly available to inform the review. This should include the release of detailed data on employment outcomes associated with the Welfare to Work policy. Where possible, it should also include net impact studies.

The caps on funding for DEN and VRS should be removed as soon as possible to ensure that people with disabilities on income support payments have access to the assistance tailored to their needs. This is vital to improve the job prospects of DSP recipients, and such support is likely to be cost effective given their long periods of reliance on income support. It would also be desirable to transfer funding of Prevocational Participation Accounts to specialist disability employment service providers, who are in a better position than Job Capacity Assessors to make referrals for assistance such as pain management and to follow up to ensure that these services are provided.

## Recommendations

2. Review specialist disability employment services with the aim of establishing a system of demand-driven programs with a strong focus on sustained employment outcomes for people with disabilities, targeted mainly towards those on working age income support payments.
  - In the interim, funding for DEN and VRS should be uncapped.
  - Transfer the administration of Prevocational Participation Accounts to specialist disability employment service providers and incorporate these funds into the relevant fee structures.
3. An open system of evaluation, data sharing and feedback on best practice should be established across specialist and mainstream employment assistance programs:
  - DEEWR to undertake and publish regular evaluations of the net impact of disability employment services on employment and provide research support to experimental (random assignment) programs.
  - DEEWR to make available to peak bodies (including ACOSS) and independent

---

<sup>16</sup> Hon Sharman Stone 2007, op cit.

researchers regular data on job seeker profiles, flows (including benefits and employment services), and outcomes (including employment and skills) on a national and regional level.

- Alternately, an independent body could be established to undertake regular monitoring and evaluation of the effectiveness of employment assistance services using these data, which it would make available to stakeholders and researchers. Using this information, the body could offer technical assistance to providers.

### **Mainstream employment services**

Many people with disabilities, especially mental health conditions and addictions, receive assistance from the Personal Support Program (PSP) and Job Placement Education and Training program (JPET) to overcome barriers to employment. These are prevocational programs that target both social and employment outcomes. In its discussion paper on the Future of Employment Services, the Government has indicated that it intends to replace these programs with mainstream employment service provision through Stream 4 of the proposed new employments services system.

We welcome the allocation of additional resources to this highly disadvantaged group of job seekers, but the integration of this stream within the mainstream employment services system carries risks as well as benefits. The main risk is that the social support and work preparation services that are the hallmark of PSP and JPET may be diminished. This could happen for two reasons. First, specialist PSP and JPET providers would have to offer the full suite of employment services or enter into partnership arrangements with other providers. This could dilute the current emphasis on employment preparation and support and lead to a loss of expertise in this field. Second, there are no specific incentives in the fee structure for Stream 4 to offer social support services, unless they yield an employment outcome within 18 months, which is shorter than the maximum duration of the PSP program.

The re-orientation of services for Stream 4 job seekers towards employment outcomes is desirable in principle, but past experience with similar incentive structures suggests that providers may be encouraged to cut corners by focusing on those who are closest to job ready and on job search assistance as distinct from help with the deeper social and health problems that constrain people's future job prospects. The new Star Ratings system could play an important role in preventing this.

Another problem with the transitional arrangements is that not everyone currently in PSP would transition automatically into Stream 4. If they were instead transferred to Work Experience, this would cut short the social support and work preparation they currently receive within PSP.

### **Recommendation**

4. The design of Stream 4 of the proposed new mainstream employment services system should be modified to ensure that those socially disadvantaged job seekers receive the social and health supports they need to progress to employment

- Employment Service Providers should be permitted to specialise in the provision of Stream 4 services.
- All existing Personal Support Program participants should transition into Stream 4.
- Consideration could also be given to the introduction of a system of Outcome Fees to reward social outcomes or milestones towards employment for these job seekers.

### **Partnerships between employment assistance, health and social support services**

One of the limitations of employment programs like the PSP is that they rely for their effectiveness on support from State and Territory funded health and social support services such as community mental health services. However, these services do not systematically include employment for their clients as one of the major objectives. Instead, their main role is to maintain or improve health, provide housing, or support families. One of the basic principles of the Government's social inclusion agenda is joined-up service provision. That is, these services should work together to assist people experiencing social exclusion in a number of different areas of their lives.

Not all people with disabilities seeking employment need this kind of ongoing collaboration among service providers. In many cases, employment services can achieve job outcomes working alone. However, this collaborative model of service provision is particularly appropriate for people with mental illness, addictions, and other social barriers to work such as homelessness.

A good example of a partnership of this kind is the Individual Placement and Support (IPS) model of employment assistance for people with a mental illness. The main features of the IPS model include cooperation between employment providers and mental health services to secure employment outcomes, an early emphasis on job search and placement based on the client's preferences (rather than a prevocational or work preparation approach), intensive support in employment, and the adaptation of support to individual needs. Evaluations of these programs in the United States have found them to be effective in substantially improving employment outcomes.<sup>17</sup>

A number of trials are being conducted of IPS programs in which mental health services work together with employment services. In one of these trials at ORYGEN Youth Health in Melbourne, a local mental health service has engaged an employment specialist on site to assist young people suffering from psychoses to secure employment. Support is also offered with further education where appropriate. Although it only involves a small number of clients, the outcomes of the trial so far are encouraging, with a significantly higher proportion of those randomly assigned for employment assistance obtaining work compared to the control group. A key feature of the employment assistance offered is a low caseload of 20 clients for the full time employment consultant. One limitation of this particular trial is that it is not a partnership between mental health and employment services, rather a mental health service with an employment specialist. In other trials, DEN services and local mental health services are partnering to assist their clients obtain employment.<sup>18</sup>

<sup>17</sup> Killackey et al 2006, *Exciting career opportunity beckons. Early intervention and vocational rehabilitation in first episode psychosis*. Journal of the Royal Australian and New Zealand College of Psychiatrists.

<sup>18</sup> Killackey et al 2007, *Vocational intervention in first episode psychosis*, Department of Psychology, University of Melbourne.

Rather than fund these collaborations on a trial or ad-hoc basis, a better way to ensure that they are implemented in a systematic and sustained way across the country is to incorporate employment objectives for target groups such as people with mental health conditions into funding agreements between the Commonwealth and States and Territories under the National Reform Agenda. For example, States and Territories could be required to include employment objectives among their key performance indicators for mental health services and to fund them to work with Commonwealth funded employment services to achieve them. Alternately, State and Territory employment assistance programs could be redirected towards target groups facing multiple disadvantage (including people with mental health disorders and residents in some social housing estates) who are most likely to interact regularly with other State and Territory funded health, housing and community support services.

### **Recommendation**

5. Require State and Territory Governments, as part of the National Reform Agenda, to incorporate work readiness targets (and a requirement to partner with Commonwealth employment assistance providers to achieve them) into their funding priorities and performance indicators for health and social support services:
  - This could include joint funding and evaluation of Individual Placement and Support strategies in which DEN/VRS and mainstream employment service providers partner with State and Territory Government-funded health and social support agencies (especially mental health and drug and alcohol support services) to achieve employment outcomes for people with severe disabilities or social barriers to work.

### **Education and training**

On average, people with disabilities have lower education levels than the general population. This disadvantages them in a labour market where growth in skilled employment is more rapid than growth in low skilled jobs. On average, possession of at least a Year 12 qualification or equivalent increases the probability of employment by around 30% and reduces the risk of unemployment by about 60%.<sup>19</sup> In 2003, 49% of people with disabilities of working age had less than upper secondary education compared with 28% of those without a disability. Although education levels among people with disabilities rose between 1998 and 2003, the relative employment rate of people with disabilities with less than a full secondary education fell from 50% to 40% over the same period.<sup>20</sup>

As is the case for job seekers generally, many people with disabilities would improve their employment prospects by undertaking second-chance education or training. Although participation in courses may reduce employment outcomes in the short term due to less intensive job search, over the medium to long term the employment prospects of skilled job seekers are stronger. In particular, they are more likely to progress from casual or short part time jobs to permanent or full time jobs and less likely to lose their employment and return

---

Waghorn & Lloyd 2005, *Employment of people with mental illness*, Queensland Centre for Mental Health Research, University of Queensland.

<sup>19</sup> Marks & Ainley 1999, *School achievement and labour market outcomes*. ANU Centre for Economic Policy Research Discussion paper 408.

<sup>20</sup> OECD 2007, op cit.

to income support. An investment in further education and training for people with disabilities is likely to be cost effective for Governments.<sup>21</sup>

The Vocational Education and Training (VET) system is the major site of second-chance education and training for low skilled employees job seekers. However, in 2003 only 2% of people with disabilities of working age participated in VET compared with 12% of all people of working age.<sup>22</sup>

ACOSS welcomes the introduction of the Productivity Places program to address skill shortages across the economy, especially the 175,000 training places targeted towards job seekers. However, it will be difficult to achieve successful training outcomes for many people with disabilities unless Registered Training Organisations (RTOs) and Employment Service Providers (ESPs) have the incentives and resources they need to assist people to overcome their barriers to training. Close cooperation between RTOs and ESPs is also critical, and the training should be delivered in flexible ways that are responsive to individual needs.<sup>23</sup>

Of those people with disabilities who commence VET courses, only 75% completed their course compared to 82% of people without disabilities. One reason for this is that their average qualification levels prior to commencing study are lower. Those with the lowest educational outcomes from VET were people with intellectual disabilities, followed by those with a mental illness or acquired brain impairment. Further, of those who commenced courses for employment purposes, only 57% of students with disabilities were employed the following year compared with 81% of former VET students without disabilities.<sup>24</sup>

Assistance required by students and trainees with disabilities includes help with the extra costs of study (such as transport) communication equipment, personal assistance, and mentoring for those who lack confidence in their capacity to study. This should be factored into the funding arrangements for Productivity Places.

People with disabilities and their employment service providers also face barriers to participation in education and training embedded in the present income support and employment assistance systems. These issues were addressed in detail in our discussion paper *The role of education and training in welfare to work policies* published in 2007.<sup>25</sup> This paper argued that instead of giving priority to either rapid job entry or skills development, employment participation policies should respond in a flexible way to the circumstances of each jobseeker, and made a number of policy recommendations to boost participation in education and training among job seekers that covered the following areas:

- Removal of payment anomalies.
- Extension of child care fee relief.

---

<sup>21</sup> ACOSS 2007, *The role of education and training in welfare to work policies*; Dockery et al 2001, *Economic and social analysis of increasing opportunities for people with a disability in VET*, Australian National Training Authority.

<sup>22</sup> NCVET 2005, *People with a disability in vocational education and training - a statistical compendium*.

<sup>23</sup> ACOSS 2008, *Productivity Places - benefiting disadvantaged job seekers and the economy*.

<sup>24</sup> NCVET 2005, *op cit*.

<sup>25</sup> ACOSS 2007, *The role of education and training in welfare to work policies*. ACOSS Info Paper 146. See 'publications' at <[www.acoss.org.au](http://www.acoss.org.au)>.

- More flexible activity requirements (the latter issue is addressed in the section dealing with income support reform, below).

### **Recommendations**

6. Remove remaining disincentives for mainstream employment service providers to invest in training, including by rewarding training outcomes in Star Ratings, and extending existing Outcome Fees for education and training outcomes for young people with low education levels to adults in similar circumstances.
7. Incentives and resources should be given to Employment Service Providers and Registered Training Organisations offering Productivity Places training to collaborate to support job seekers with barriers to training, including disabilities.<sup>26</sup>

### **Fully subsidised work experience**

Many disadvantaged jobless people including people with disabilities would benefit from a limited period of fully subsidised employment to help acclimatise them to work and develop their work skills.

Most fully subsidised jobs have been offered in the public and community sectors to avoid displacement of existing employees. Traditionally, there were two types of programs - 'job creation' schemes for unemployed people generally whose main purpose was to boost demand for labour in economic downturns, and 'sheltered employment' for people with disabilities which was designed as an alternative for those not considered able to undertake open employment.

In recent years the focus of fully subsidised work experience schemes has shifted towards 'transitional jobs' that are designed to overcome individual barriers to work among the most disadvantaged job seekers. These programs have a strong emphasis on transitions to open employment and case management to design a sequence of work experience, support and training suitable for each job seeker rather than large scale placement of job seekers in standardised temporary jobs. They include temporary employment in social firms which compete to provide goods and services on the open market.

In most countries, sheltered employment programs are targeted towards people with disabilities who are not considered able to work in the regular labour market, such as many people with intellectual disabilities. They usually offer closely supervised permanent employment in low skilled jobs at a discounted wage rate, or in return for social security payments. These programs are relatively costly and do not often lead to open employment. Consequently, a number of countries including Norway and New Zealand (see below) have attempted to change their focus towards a transitional employment model. Further, open employment programs such as DEN in Australia have been successful in securing regular jobs for many people in the traditional target groups for sheltered employment.

Examples of effective fully subsidised employment schemes include the following:

---

<sup>26</sup> See ACOSS 2008, *Submission to the Department for Education, Employment and Workplace Relations on the Productivity Places program*.

- The National Supported Work Demonstration program in the United States improved the employment prospects of deeply disadvantaged sole parents (for example ex-prisoners and ex-addicts) by an average of 7% in the US in the 1970s and 1980s. This program offered temporary employment of up to two years' duration, during which job seekers received intensive support from supervisors and case managers to help them progress in a series of stages towards regular working hours and output.<sup>27</sup>
- A current British program called Step Up offers one year of subsidised employment to people who fail to find a job after participating in a New Deal Option (that is, very long term unemployed people) boosts employment outcomes by 15%. Participants in this program are assisted to maintain the subsidised job for the first 6 months, but the focus towards searching for open employment during the last 6 months.<sup>28</sup>
- Norway redesigned its sheltered employment program to integrate it with rehabilitation and assistance to secure open employment. The new program has three phases – assessment, rehabilitation and training and attempts to secure open employment, and for those who are not successful in obtaining open employment, employment at standard wages by the provider itself. There is a limit on the proportion of program participants in this third stage at any point in time to encourage the provider and their employees to continually test the open labour market. Overall, 30% of participants in this program move into the open labour market though the success rate may be lower for those in the sheltered employment phase of the program.<sup>29</sup>
- The Mainstream Program in New Zealand offered fully subsidised employment in the public sector for one year (and a 50% wage subsidy for a second year) for people with disabilities. They were paid a normal wage and work alongside employees without disabilities. Vocational training was available where needed. In the five years to 2003, 55% to 65% of participants obtained long-term unsubsidised employment.<sup>30</sup>

## Recommendation

8. Establish a fund to support experimental programs of paid employment experience for people with severe disabilities, including mental health conditions and drug or alcohol addictions, where work is performed under conditions closely approximating regular employment including in social firms.
  - The employment and other impacts of these projects would be evaluated and published using experimental research methods.

<sup>27</sup> Heckman et al 2001, op cit; Butler 2004, *Testimony before Senate Committee of Finance*, MDRC.

<sup>28</sup> Bivand et al 2004, *Evaluation of StepUp*, Finn & Simmonds 2003, *Intermediate labour markets in Britain*. Report for Department of Work and Pensions; Brotherhood of St Laurence 2006, Transitional jobs.

<sup>29</sup> OECD 2003, *Transforming disability into ability*.

<sup>30</sup> State Services Commission, *Mainstream program fact sheet*.

### **3. Assisting jobless people with disabilities to secure employment – income support**

#### **Assessment of disability**

Job Capacity Assessments (JCAs) are currently used to assess people's employment prospects, employment assistance needs, and eligibility for income support payments. An advantage of this system is that it uses multidisciplinary expert panels rather than relying excessively on medical assessment.

The main problems with the JCA system include the following:

- The use of a single assessment for employment assistance and income support purposes means that DSP recipients seeking employment assistance must put their pensions at risk. As discussed above, this has significantly reduced voluntary participation in employment programs. Separating out the assessment of disability for these two purposes would alleviate these concerns and provide more flexibility in to tailor assessment processes to the different needs of the income support and employment assistance systems.
- JCA panels need not have specific expertise in assessing the disabilities of each individual. A lack of specialised expertise has diminished the quality of assessments, especially in cases of complex medical conditions. Further, panels do not always ensure that all relevant evidence is obtained, including from treating doctors and specialist professionals. This appears to be due in part to an overemphasis on the timeliness of assessments.

A further problem with the present system of disability assessment is that the combined impact of disabilities and caring responsibilities (including care for family members who also have disabilities) is not considered. For example, many sole parents have disabilities. Their ability to undertake employment is affected by a combination of their disabilities and caring role. Among the few examples of work capacity assessments that take caring roles into account is a Work Ability Index developed in Finland, which assigns points for disabilities, illness, employment history and caring responsibilities, along the lines of Australia's JSCI. Swinburne University is undertaking research that will use this tool to assist employers to manage an ageing workforce. If a robust assessment process that takes account of the combined impact of disabilities and caring roles could be developed, this would better meet the needs of parents with disabilities.<sup>31</sup>

#### **Recommendations**

9. Separate the processes of assessment for employment assistance and income support to remove a key disincentive for DSP recipients to participate in employment programs (fear of loss of pension).
10. Ensure that Job Capacity Assessment (JCA) panels include experts with knowledge

---

<sup>31</sup> Finnish Institute of Occupational Health *Business work and ageing, the Work Ability Program*. See [http://www.swinburne.edu.au/business/businessworkageing/project\\_arc.html](http://www.swinburne.edu.au/business/businessworkageing/project_arc.html) ; <http://www.ttl.fi/Internet/English>

of the impairments of each applicant, and are encouraged to obtain evidence from treating doctors and specialists, as appropriate.

11. Take account of the combined effect of caring responsibilities and disabilities on people's capacity to undertake employment.

### **Reform of the social security payment structure**

A major structural flaw in the income support system for people of working age has undermined past attempts to encourage people with disability on income support to become more active in the labour market.

The present income support system for people of working age is based on a simple distinction between one group of recipients ('pensioners') who are 'unable to work' and another ('allowees') who are 'able to work'. Levels of payment reflect this distinction. Thus, the Newstart Allowance for a single adult is \$219 per week, \$54 less than the pension (\$68 taking various concessions into account).<sup>32</sup>

The system is inequitable because levels of payment are based on historical views about which groups are more or less deserving of support rather than people's actual income support needs. Thus, for example, a person with a disability on Newstart Allowance who faces high transport costs due to their disability receives less than a Disability Support Pensioner who may not face such costs. One justification in the past for separate rates of payment for pensions and allowances was that people on Allowances typically only needed short term income support, but as the profile of Newstart Allowees has become more disadvantaged, that assumption no longer holds. There is no logical basis now for these historical distinctions.

This two tier system of income support discourages transitions to employment among people with disabilities, since they face the risk of transfer to a lower payment. This is likely to have a much greater impact on their work incentives than the income tests and effective marginal tax rates that have attracted greater policy attention to date.

As discussed above, the Welfare to Work policy introduced in 2006 attempted to engage more people with disabilities in the labour market by shifting the boundary between DSP and Allowances. One problem with narrowing eligibility for the DSP is that it reinforces the messages to remaining DSP recipients that this payment is for people 'unable to work', and that they risk being transferred to a lower payment if they engage with the labour market. The previous Disability Reform Package implemented in 1992 pursued a more promising approach by seeking to redesign the DSP itself as an 'active' payment. However, the investment in the employment assistance services needed to make this a reality did not occur and recipients were also fearful of transfer to lower payments.

The solution to these problems is to replace the present dual system of rates of income support payments (pensions and allowances) with a single core level of payment based on the income support needs of single adults generally, together with a system of supplements

---

<sup>32</sup> See Table 1 above. This includes the Pharmaceutical and Telephone Allowances paid to pensioners.

to address special needs. The previous Government considered this option in its 'Simpler System' consultations, but abandoned it to pursue the Welfare to Work policy approach instead. This was a missed opportunity for welfare reform. Two countries with broadly similar social security systems to Australia's - the UK and New Zealand - are now considering reforms along the lines of the Simpler System proposals. A key motive for the changes is to encourage employment participation among people with disabilities.<sup>33</sup>

Another reason for pursuing reforms along these lines is to reduce the complexity and administrative cost of the system. It is not only the rates of payment that vary between pensions and allowances. A wide range of conditions of payment including residency requirements and assets tests also depend on the types of payment received. These anomalies make transitions between the pension and allowance systems more difficult.

Categories of payment (including a disability payment) could still be retained in a system based on the same core rate of payment and eligibility conditions. In that event, the main difference between payments categories would then be the activity requirements (if any) that apply. This gives recipients a degree of certainty about the requirements that will (or will not) apply to them. It also ensures that people in similar circumstances in different parts of the country face broadly the same legislated activity requirements.

However, there is a case for 'broad banding' payments to enhance flexibility. For example, it would be easier for income support recipients to combine job search with education and training if Newstart Allowance and Austudy Payment were merged, rather than being administered as two separate payments.

Income tests could also vary between payments, depending whether recipients are required to seek full time or part time employment.

Care should be taken to ensure that no group is worse off, and that those with the greatest gaps between their income support needs and levels of payment are better off.

Such reforms would require careful consultation with organisations representing the interests of income support recipients the community sector more broadly, and policy experts, and should not be rushed. ACOSS plans to consult with its members to further consider and develop these ideas.

An important element of the proposed social security structure would be a supplement to assist with the costs of disability. People with disabilities often face additional costs. Research commissioned by the Department of Family and Community Services in 1998 found that 91% of DSP recipients faced additional costs due to their disability. These included travel costs, prescriptions, consumables (e.g. ointments and pads), medical and related treatments, housing modifications, furniture, assistance with home tasks, aids and appliances, and care costs. The costs faced by individuals with different impairments and circumstances are diverse.<sup>34</sup>

---

<sup>33</sup> Vanstone & Abbott 2002, *A simpler system*; Freud 2007, *Reducing dependency, increasing opportunity*, Department for Work and Pensions; Minister for Social Development and Employment 2005, *Extending Opportunities to Work*, New Zealand Cabinet submission.

<sup>34</sup> Department of Family and Community Services 1999, *Cost of disability survey*. See also Tibble 2005, *Review of existing research on the extra costs of disability*. UK Department for Work and Pensions.

Some of these costs are already partially compensated for people with disabilities in Australia, for example through Mobility Allowance. Other countries including the UK and New Zealand have more comprehensive payments to assist with the costs of disability.

The diversity of need among people with different disabilities suggests that a single 'catch all' allowance may under-compensate some people and over-compensate others. A further complicating factor is that these costs vary in nature: some are capital expenses (such as modifications and equipment) others are recurrent (for example taxis). Some costs may be best addressed by free or subsidised provision of services (for example medical costs) while in other cases it would be better to give people with disabilities the choice to purchase their own goods and services.

One option to deal with this diversity of need is to structure a cost of disability supplement so that higher rates apply to those costs that are typically greater (for example the costs associated with mobility for many people with physical disabilities). Separate subsidies are still likely to be needed for capital expenses. A balance would need to be carefully struck between subsidising services and making payments directly to individuals for services (for services such as health and personal care), and between existing mainstream programs and disability-specific ones.

Another issue to consider is whether (or to what extent) a cost of disability supplement would be income tested. To preserve work incentives, it would be desirable to avoid income testing at least part of this payment, especially for those who face the highest costs.

Income support recipients undertaking work related activity such as job search or training face additional costs that are not adequately covered by their payments. For example, Newstart Allowance recipients are typically required to apply for up to 10 jobs a fortnight. Participation supplements that help with these costs would improve the effectiveness of their efforts to find work and encourage more people to do so. Some payments along these lines already exist, including Pensioner Education Supplement for students on pensions and the Work for the Dole Supplement for participants in that program. There is a strong case for introducing a more broadly based Participation Supplement for working-age income support recipients.

## **Recommendations**

12. Work towards a single core rate of income support for people of working age based on the income support needs of single adults generally, supplemented by payments for specific costs including the costs of children (including the costs associated with sole parenthood), housing costs, the costs of disability and the costs of participation in employment education or training.
  - Care should be taken to ensure that no group is worse off, and that those with the greatest gaps between their income support needs and payments are better off.
  - An initial step would be to raise the level of Austudy payment to equal that of Newstart Allowance (see R15 below)
  - Incorporate this core rate of payment into a single 'platform' of core eligibility requirements and entitlements for people of working age, including residency requirements, assets tests, and concessions, but not activity requirements.

- Retain separate categories of payment for the purpose of setting activity requirements, and possibly for income testing (for example, if some groups are required to seek part time work while others are required to seek full time jobs).
- Introduce a cost of disability supplement that takes account of the additional expenses typically associated with disabilities (for example, the costs of mobility for people with physical disabilities).
- Introduce a participation supplement to assist with the extra costs of participation in employment, job search, training or other work preparation activities.

### Other financial disincentives to work

Social security reform along the lines described above would address the main financial disincentive preventing people with disabilities from seeking employment.

Another disincentive to work is the high effective tax rates that apply to Allowance payments. Unlike the pension income test, which claws back 40 cents of every dollar earned above an indexed threshold, the allowance income test typically claws back 60 cents in the dollar and the thresholds are very low and are not indexed.

The allowance income test is particularly inappropriate for people with a partial work capacity who, prior to the Welfare to Work changes, would have instead received DSP. This is because they are only required to seek employment of 15 hours a week. The allowance income test penalises this level of part time employment, as the table below illustrates. It compares the effective marginal tax rates that apply to every additional dollar earned by a pensioner (DSP) and a Newstart Allowance recipient (NSA). The allowance income test, when combined with income tax, results in effective marginal tax rates of more than 60 cents in the dollar over a wide range of part time earnings.

**Table 2: Effective marginal tax rates facing single people with a disability on DSP compared with Newstart Allowance (2006)**

Private Income (\$ per week)	Single adult with a disability	
	Disability Support Pension	Newstart Allowance
	%	%
\$0	0	0
\$50	0	65
\$100	40	65
\$150	55	75
\$200	55	73
\$300	55	67
\$400	57	17
\$500	76	36
\$600	72	32

Source: NATSEM *Distributional impact of proposed welfare to work reforms upon Australians with disability*, September 2005. Note that subsequent changes to tax rates and the Low Income Tax Offset will have altered these effective tax rates slightly.

## **Recommendation**

13. Apply the same income test for Allowance recipients as for pensioners.
  - Alternately, introduce a more liberal income test for those income support recipients who are required to seek part time work but not a full time job.

## **Access to education and training**

As discussed previously, people with disabilities face barriers to participation in education and training. These are compounded by disincentives in the income support system that are contrary to the spirit of the Government's Skills Agenda:

- Newstart and Youth Allowance recipients must in some circumstances continue to be available to work while they are studying part time, which disrupts their courses.
- Austudy Payment for fulltime adult students is \$22 per week less than Newstart Allowance, which discourages jobless people from undertaking educational courses that would improve their future job prospects.
- The \$31 per week Pensioner Education Supplement is paid to DSP recipients but it is not available to people with a partial work capacity on Newstart Allowance or other Allowance payments.

## **Recommendations**

14. Participation in approved part time education or training (of at least 15 hours a week on average) should be accepted as meeting the activity requirements for income support recipients with a partial work capacity.
15. The level of Austudy Payment should be raised to equal that of Newstart Allowance, so that jobless people undertaking fulltime training or study receive the same level of income support as those currently seeking employment.
16. The Pensioner Education Supplement should extend to income support recipients with a partial work capacity.

## **Activity requirements**

People with disabilities with a partial work capacity may be required to seek employment of at least 15 hours a week and participate in employment and training programs, if they receive Newstart or Youth Allowance. These requirements have been implemented in an inflexible way. For example, people with jobs with irregular hours have been required to seek further employment where the job offers less than 15 hours work in a given fortnight, even though their working hours were higher than this previously. People with partial work capacity are often required to attend Centrelink fortnightly, despite the difficulty many have

in meeting this requirement, and the costs entailed. In light of these and other problems, the Government has established a Task Force to review the requirements for parents and mature age people. It would be timely to review the requirements for people with partial work capacity also to consider whether changes made for parents might also apply to them, as well as the specific needs of people with disabilities.

Other people with disabilities on Newstart and Youth Allowances are affected by inappropriate activity requirements. In particular, it would be desirable to review the arrangements for Newstart Allowance recipients with a temporary incapacity and those waiting for access to the Personal Support Program. The activity requirements applying to participants in Stream 4 of the proposed future employment services system (the equivalent to PSP) also need to be clarified.

The Government's proposed employment service reforms include welcome changes to the compliance system to reduce the incidence of financial penalties. Also, a 'no show – no pay' rule is proposed for participants in the new employment services system. This means that those who do not attend a program (such as work experience) for a day could forfeit a day's payment. ACOSS has a number of concerns about this rule, including its possible effect on people with disabilities who have a limited capacity to participate fully in work experience and training programs. For example, one of the objectives of work experience programs for people with mental health conditions is to acclimatise them to work and work routines because regular attendance at work is a barrier to employment for them. To penalise them for non attendance would be contrary to the spirit of these programs.<sup>35</sup>

The current compliance system for people on activity tested payments includes a system of vulnerability indicators that warn Centrelink and employment service providers to exercise caution in applying the compliance rules to these job seekers. This system should be retained and strengthened.

## Recommendations

17. A more flexible system of activity requirements for people with an illness or disability should be introduced that takes account of the circumstances of people with newly diagnosed and episodic conditions.
  - People with partial work capacity who are currently required to attend Centrelink fortnightly should instead be required to attend on a monthly basis.
  - A separate, more flexible set of activity requirements should be introduced for job seekers in Stream 4 of the proposed employment services system.
18. The system of vulnerability indicators in the Newstart Allowance compliance system should be strengthened and these vulnerable job seekers should be exempt from the proposed 'no show – no pay' requirements.

---

<sup>35</sup> ACOSS 2008, *The proposed employment participation model*.

## **4. A workplace adjustment package for people with disabilities and their employers**

The main impediment to employment of most people with disabilities lies on the demand side of the labour market rather than the supply side. Most people with disabilities would make productive employees if the workplace and work practices were adjusted to accommodate them. However, employers are reluctant to hire people with disabilities and this is mainly due to a lack of experience in doing so. Many people with disabilities have been reluctant to apply for positions on the open market as they anticipate a negative response from employers.

Widespread labour shortages provide an opportunity to break this cycle, but a tight labour market is no guarantee of better opportunities for people with disabilities. Employers must be confident that people with disabilities are productive employees, and that support is available to minimise any real or perceived risks. This message must reach small as well as large employers since most potential job opportunities for people with disabilities are likely to lie in the small business sector.

These efforts should extend beyond people with disabilities on income support because the job prospects of people with disabilities generally (including those on income support) are unlikely to improve without a major shift in employer perceptions and engagement.

An information and education campaign targeting employers could help correct a number of misperceptions about people with disabilities. For example, the evidence shows that they are less likely to make compensation claims and more likely to stay in the same job than people without disabilities.<sup>36</sup>

However, more information alone will not overcome employer concerns. Employers are more likely to hire people with disabilities if they have practical experience in doing so and they are more likely to test the waters if they perceive that they will be supported should any problems arise. Necessary supports include workplace modifications, training and mentoring, advice on discrimination laws and assistance with any additional insurance costs. Advice and support from trusted sources such as employer bodies and other employers who have experience hiring people with disabilities would also help overcome initial resistance to change.

The Government currently provides a range of supports for employers to hire people with disabilities generally (as distinct from those on income support), including an information portal (JobAccess) containing information on employment of people with disabilities and access to job vacancies, a telephone advice service, a number of 'toolkits', the workplace modifications scheme, the supported wage system, the work experience placement program, and the wage subsidy scheme.

These programs go part of the way to reassuring employers that support is available when needed, but on the whole they represent a very modest investment in promoting employment among people with disabilities. The key missing elements are an integrated system of advice and support (from advice and assessment through to support for

---

<sup>36</sup> Australian Safety and Compensation Council 2007, op cit.

employers and employees to make the necessary adjustments) that is available on the ground across Australia, and a marketing strategy to direct employers and potential employees to this service.

Some specialist disability employment services (including DEN and VRS services) are already available to people with disabilities not in receipt of income support, but places in these programs are capped. Priority should continue to be given to those on income support payments as they face the greatest risk of poverty. However, a core set of advice, assessment and support services should be available to employers and employees with disabilities generally.

The Human Rights and Equal Opportunities Commission (HREOC) consulted widely with employers and service providers to develop a set of proposals to overcome barriers to work for people with disabilities and promote their employment among employers. Its recommendations included the following:

- Government sponsored personal and workplace assessments.
- A work trial scheme.
- Funding for workplace supports.
- Consideration of a program to cover the first year of insurance premiums.
- Awareness raising campaigns around the productivity and reliability of people with disabilities.
- Promotion of flexible workplaces.<sup>37</sup>

These elements could be brought together in a workplace adjustment package. This package could be developed in two ways.

One option is to extend DEN and VRS services much more broadly across the population of people with disabilities outside the income support system and use these networks, underpinned by a Job Capacity Assessment process, to administer the package. The Government would need to consider whether the full suite of DEN and VRS services should be broadly available.

Another option is to build on the JobAccess arrangements to establishing a network of workplace advice and assessment services for those not eligible for DEN or VRS assistance.

An example of a similar package of employment assistance that is widely available to people with disabilities and their employers in other countries include New Zealand's Job Support scheme which is administered by Workbridge, a not for profit service provider.<sup>38</sup>

---

<sup>37</sup> HREOC 2005, op cit. See also FACS 2003, *Improving employment opportunities for people with a disability, review of the Employer Incentives Strategy*.

<sup>38</sup> For information on the New Zealand programs see <http://www.workbridge.co.nz/?page=122>, and HREOC 2005, op cit;

## **Recommendations**

19. A workplace adjustment package could be developed to assist employers and jobseekers with disabilities who are unable to access the full range of specialist disability employment services (including those not eligible for income support payments) to make adjustments that enable them to commence and retain employment including:

- Information, advice and referral
- Personal and workplace assessments
- Workplace modifications and equipment
- Work trials
- Mentoring and support

This could be delivered either by extending access to the existing assessment system and specialist disability programs (DEN and VRS) more broadly, or by building on the Job Access arrangements.

20. Once the proposed work adjustment package is in place, a publicity campaign targeting employers, people with disabilities and professionals could be initiated to promote employment of people with disabilities and to advertise programs available.

- This could include publication of fact sheets addressing some of the myths and facts surrounding employment of people with disabilities, including perceptions that they are more likely to make workers compensation claims and are less reliable at work.

21. Government programs and legislation to encourage flexible work arrangements, including flexible working hours for people with caring responsibilities, could also address the need for flexible work arrangements for people with disabilities.

22. The Government could support the employment of liaison officers by employer organisations and unions to assist them to promote and support the employment of people with disabilities within their networks.

## **Employment of people with disabilities in the public sector**

Governments should set an example in the employment of people with disabilities, and then share their skills in this regard with the private sector. However, employment of people with disabilities in the Australian public service has declined in line with poor employment outcomes for people with disabilities generally. At June 2005, people with disability represented 3.8% of ongoing APS employees, down from 6.6% in 1986.

## **Recommendation**

23. The Government should commit to targets to increase the proportion of people with disabilities employed across the public sector and within individual agencies:

- It should develop and share with other employers the human resource policies and expertise necessary to achieve these targets.

### **Access to buildings, public transport and streets**

Many people with physical disabilities find that their mobility and employment opportunities are restricted by a lack of attention to their needs in building design, urban planning, and public transport:

- Disability Standards covering the design and construction of buildings are currently being developed, pursuant to the Disability Discrimination Act. However, the Building Code of Australia does not require lifts to be installed in multi-storey buildings.
- The Disability Standards for Accessible Public Transport came into effect in 2002, but it will be decades before providers are required to fully comply.

### **Recommendation**

24. The following steps should be taken to improve accessibility for people with physical disabilities:
  - Introduce an Access to Premises Standard under the Disability Discrimination Act 1992 and offer financial incentives to small enterprise to upgrade existing buildings to the Standard.
  - Bring forward implementation of the Disability Standards for Accessible Public Transport.
  - Work with local government authorities to introduce universal standards for the accessibility of local streets;
  - Work with state territory and local government authorities to introduce housing standards for people with disabilities in building codes.

## **5. Preventing long term joblessness among people with disabilities**

Once people with disabilities become jobless on a long term basis, their prospects of future employment are usually very poor. This is illustrated by the very low employment outcomes of people on DSP, many of whom were on other income support payments prior to claiming the pension.

However, public policy has paid limited attention to prevention of long term joblessness among people with disabilities. There are three main pathways to long term joblessness for people with disabilities – from the income support system, employment, and from school.

## Income support recipients

Little is known about how people with disabilities transition between income support payments and employment. As shown in the table in the Attachment below, 37% of DSP recipients were previously on Newstart Allowance, 9% were on Parenting Payment (mainly sole parents) and 12% were on other payments (which would include Carer Payment). This underscores the need to assist people with disability to transition towards employment regardless of their income support status at the present time.

There is a two-way relationship between disabilities and long term unemployment. Having a disability increases the risk of long term unemployment and prolonged joblessness in itself exacerbates the impact of disabilities, especially through its adverse impact on mental health.<sup>39</sup>

Most of those DSP recipients previously on Newstart Allowance (other than people who were exempt from activity requirements on the grounds of temporary incapacity) have participated in mainstream employment programs such as the Job Network and Personal Support Program. This suggests that long term joblessness among many people with disabilities could be averted if these programs were more effective in meeting their needs, or if they had access to alternative programs.

The Government's proposed employment services reforms include more investment in early intervention (during the first year of unemployment) for people assessed as at high risk of long term unemployment. It also proposes to redesign the system so that it focuses more on individual needs rather than a fixed continuum of activity requirements and services. In our response to the Government's Employment Services Discussion Paper suggests, ACOSS suggests that more investment is required in the Work Experience phase of support to ensure that the level of support does not decline once people become unemployed long term. We also propose that Stream 4 of the new system (for people with social barriers to employment such as mental health conditions, homelessness or addictions) be strengthened by incorporating payments for social outcomes or milestones towards employment and allowing providers to specialise in this stream. These recommendations are likely to help prevent prolonged term joblessness among people with disabilities.

Although the number of Parenting Payment recipients with disabilities is not known, it is likely to be significant as many Parenting Payment recipients experience multiple social and economic disadvantage. Their disabilities are more likely to be assessed now that they are required to seek employment once their youngest child reaches 6 years of age, but it is desirable to offer employment and other support earlier than this to help them overcome their barriers to work before they become entrenched. Such support should be voluntary, and offered in a non intrusive way that takes into account the additional support they will need to undertake their parenting role. More broadly, employment services and activity requirements for parents with disabilities should be reviewed to assess whether their particular needs are being met.

---

<sup>39</sup> Wilkins 2003, op cit; Cai & Gregory 2004, *Inflows outflows and the growth of DSP*, Australian Social Policy 2002-03.

## Recommendations

25. Further statistical analysis should be undertaken of the income support, employment service and employment pathways of people with disabilities on income support, and the results should be published as soon as practicable.
26. Services for those at risk of prolonged unemployment – especially those with health or social barriers to work – should be strengthened in the proposed new employment services system:
  - The proposed fees for mainstream employment service providers offering Work Experience should be substantially increased, preferably to equal those paid for job seekers in Stream 3, and be paid annually.
  - Outcome Fees could extend beyond the first 3 to 6 months of employment to up to 12 months, especially for those in Stream 4.
  - Social outcomes should be rewarded for participants in the proposed Stream 4, and providers should be able to specialise in this Stream.
27. Steps could be taken to identify people with disabilities on workforce age income support payments who are not receiving DSP or activity tested payments (for example, recipients of Parenting Payment with no school age children), and to offer them the same assessments and suite of employment assistance services available to recipients of these payments.

## Existing employees

Keeping people with disabilities in their existing jobs is likely to be more effective than assisting them to find one once they are unemployed. This preventive approach is embedded in State and Territory Workers Compensation policies. These policies impose obligations on employers to keep injured workers in their employment for a period of time, and on the employees to undergo rehabilitation. However, employees who have an illness or disability that is not work-related are not covered beyond a short period of paid sick leave. If their family incomes are low, they must turn to the income support system.

In a recent report on disability policies, the OECD recommends that Australia follow the practice in many European countries by extending the legal responsibilities of employers for employees who fall ill. Many OECD countries, for example the Netherlands, have a single integrated system of income and job support for people with disabilities, whether or not the disability originated in the workplace. The OECD suggests that in Australia, the duration of paid sick leave should be extended and doctors should be required to refer employees for a Job Capacity Assessment once they are ill for extended periods, so that they keep their jobs and appropriate services can be organised for them.<sup>40</sup>

One difficulty with this approach is that employers may be discouraged from hiring people with a disability or chronic illness. Other OECD countries overcome this problem by offering substantial subsidies – for example steep reductions in social insurance premiums in the Netherlands - to employers who hire these workers. Another problem is that, taken to their

---

<sup>40</sup> OECD 2007, op cit.

logical conclusion, these measures would ultimately require the integration of State Workers Compensation and Commonwealth income support programs.<sup>41</sup>

Nevertheless, one of the lessons from effective workers compensation systems is that the need for people with disabilities to rely on Commonwealth income support payments can be significantly reduced if employers, employees and rehabilitation professionals cooperate around a return to work plan while they are still employed. Vocational Rehabilitation Services are currently available to those whose jobs are in 'jeopardy', but the requirement that they and their employers must identify that their employment is at risk is counter-productive.

Therefore, if a workplace adjustment package is developed along the lines recommended above, it would make sense to extend it to existing employees.

### **Recommendation**

28. The proposed workplace adjustment package could extend to existing employees taking into account the services already provided through workers compensation systems and specialist disability employment programs:

- Employers and health and vocational professionals could be asked to provide employees absent from work long-term due to an illness or disability with information on the services available to them under the workplace adjustment package and employers and employees could be encouraged to use it.

### **School leavers**

Some people whose disabilities are identified early in life - for example people with intellectual disabilities - receive specialised support while at school. However, other disabilities such as mental health conditions are often not diagnosed in young people, and specialised support may no longer be available once they leave school. As a result, many young people with disabilities go without employment assistance until they apply for income support.

One way to address this problem is to introduce a comprehensive school to work transition program (extending to all school leavers not entering employment or further education and training) in which a case manager assesses each young person's career aspirations and prospects and offers advice and referral to services to help them overcome any barriers to work.<sup>42</sup> In the absence of a generic program along these lines, students about to leave school who have an identified disability could be offered advice from existing sources such as school counsellors about the proposed workplace assessment and adjustment package and other disability employment services.

Pathways to specialist programs for school leavers with intellectual disabilities are well established, but many of these State and Territory funded programs – for example Community Participation programs in New South Wales and Futures for Young Adults in Victoria - have a care and activity focus rather than an employment focus. Many participants

<sup>41</sup> ACOSS 2008, *Employment participation policies, an international snapshot*; Cornell University 2007, *Sickness and disability schemes in the Netherlands*, Paper for the OECD. See <http://digitalcommons.ilr.cornell.edu/gladnetcollect/304>.

<sup>42</sup> Dusseldorp Skills Forum 2007, *It's crunch time, raising youth engagement and attainment*.

in these programs could secure a job if they had access to specialist disability employment services instead. However, in some States commencements in disability employment services are diminishing among school leavers in this client group as the State activity programs are expanded.<sup>43</sup>

### **Recommendation**

29. School leavers with disabilities and their parents could be provided with information on employment related supports from the workplace assessment and adjustment package and specialist disability employment services through careers counsellors and other professionals working with these students and their families.
30. The Government could consult with State and Territory Governments to improve coordination between disability employment services and State and Territory care and support programs for school leavers with severe disabilities including post-school options programs for young people with intellectual disabilities.

---

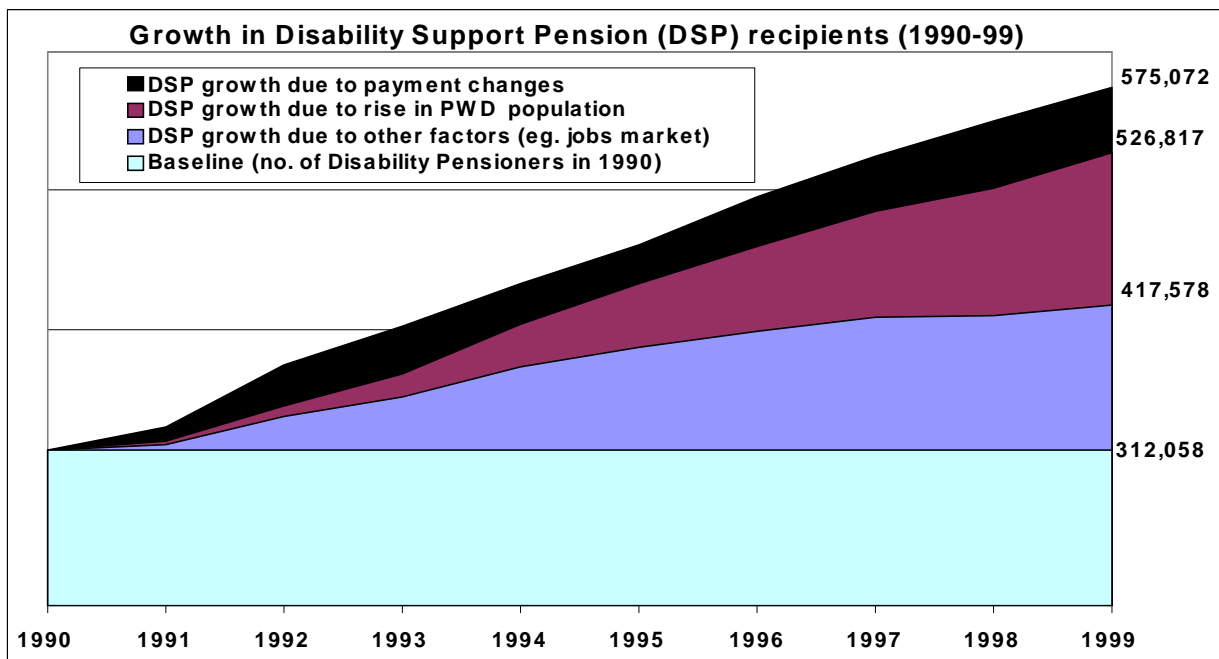
<sup>43</sup> Access Economics 2005, *An analysis of alternative methods of government funding of employment services for people with disabilities*, report prepared for JobSupport Inc.

## Attachment

### Causes of the increase in DSP recipients over the 1990s

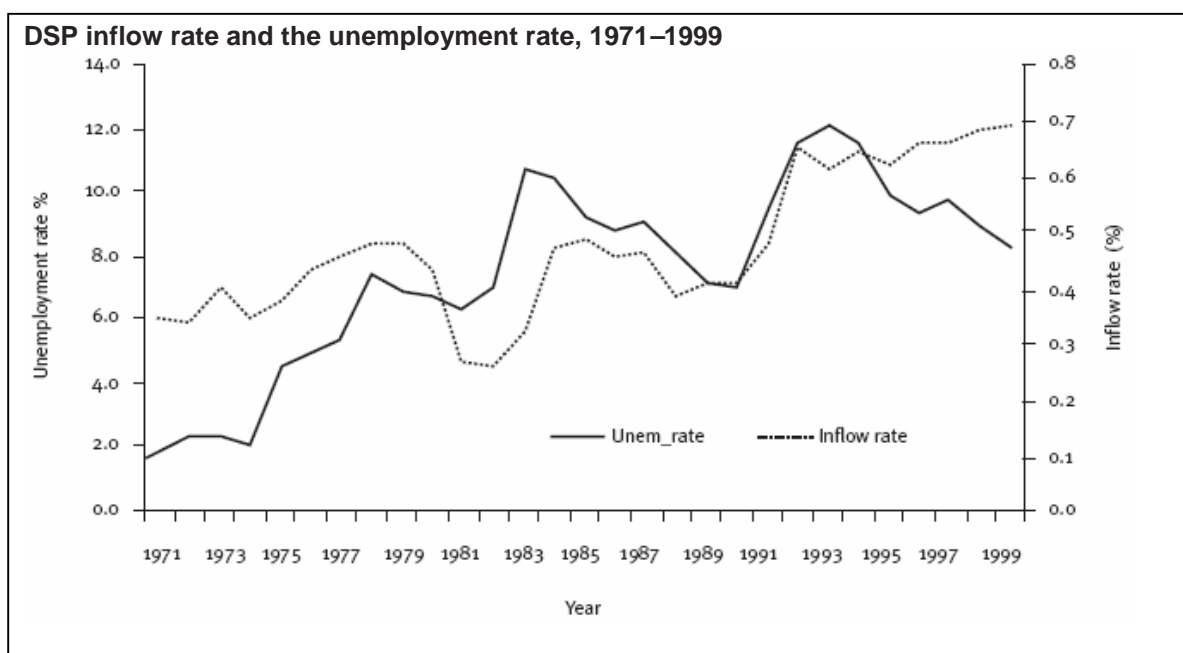
In 2007, there were 714,000 people on the DSP and the average duration of payment was 530 weeks. This is much higher than in the early 1990s, with most of the increase having occurred during the 1990s.

Detailed analysis by ACOSS suggests that the main causes of the doubling of DSP recipients over the 1990s (from 317,000 in 1990 to 673,000 in 2003) included the effect of the early 1990s recession on claims for the pension, the closure of access to alternative payments (such as Age Pension and Widow Allowance) for many mature age women with disabilities, growth in the numbers of people with disabilities (with core activity restrictions – which corresponds broadly to the eligibility conditions for DSP), and more effective identification of disabilities within the social security system and elsewhere (for example, improved diagnosis of mental illness and hearing problems) – see graph below<sup>44</sup>



<sup>44</sup> ACOSS 2003, op cit.

The recession and the increase in unemployment that followed triggered an increase in claims for DSP and more 'entries' to DSP in the early 1990s (see graph below), even though a tightening of eligibility conditions for many following the Disability Reform Package meant that more claims were rejected. However, when unemployment fell from the mid 1990s, the number of claims continued to rise, as indicated in the graph. This may be due a combination of closure of alternative payments and better identification of disabilities as recipients of unemployment payments were required to more actively pursue employment. There is no evidence to suggest that there was an easing of the administration of eligibility tests for DSP at this time, and there was no change in the legislation.



Source: Cai, L & Gegory, R 2002, *Inflows, outflows and the growth of the Disability Support Pension (DSP) program*, Australian Social Policy 2002-2003, Department of Family and Community Services Canberra.

The table below indicates that almost half of entrants to DSP came from unemployment payments. This suggests a strong connection between disability and long term unemployment, with causation probably running in both directions (from disability to long term unemployment and vice versa). A significant proportion of DSP recipients also come from Parenting Payment, which reinforces concerns that sole parents on income support are drawn from a highly disadvantaged group. This proportion may rise much higher than 6% once the majority of Parenting Payment recipients with school age children are required to seek employment, since more parents with disabilities are likely to be identified<sup>45</sup>

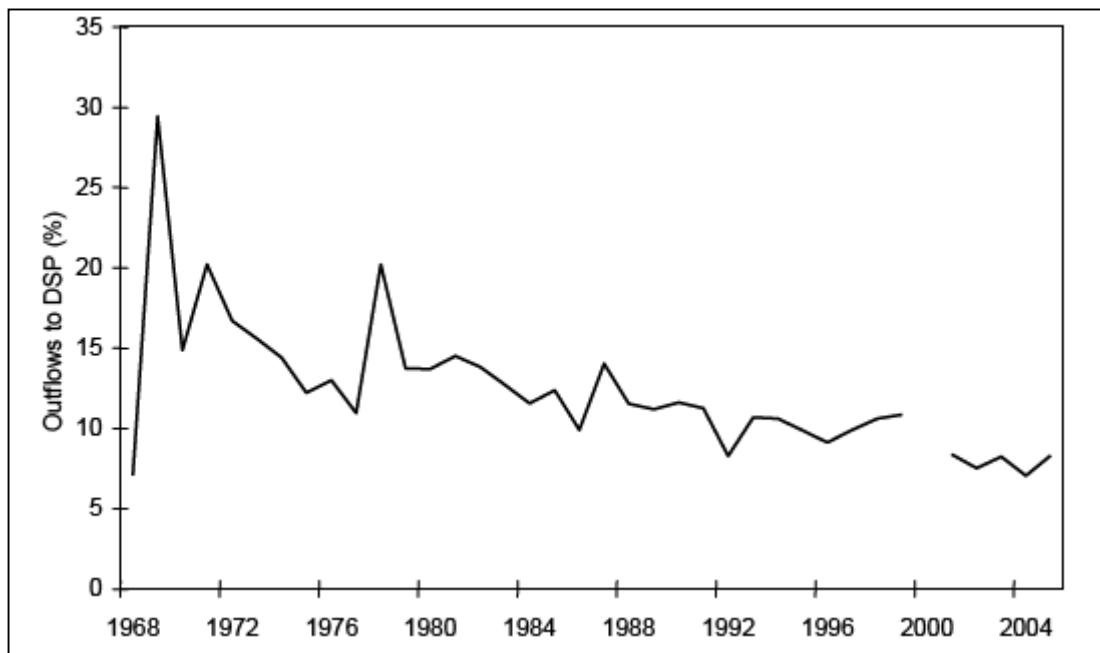
<sup>45</sup> Wilkins 2003, op cit.

Sources of entry to DSP (2004-05)	Per cent
Employed or no income support	45%
Unemployed	37%
Parenting Payment	6%
Other payments	12%
All	100%

Source: OECD 2007, op cit.

The other reason for the increase in DSP recipients is that exits from DSP have declined fairly consistently over the past 30 years (see graph below).

**Exits from DSP (as a proportion of the number of recipients)**



Source: Productivity Commission 2007, *Men not at work*.

Approximately half of DSP recipients indicate in surveys that they would like to obtain employment either now or in the future, with that proportion being higher for younger recipients and lower among mature age recipients.<sup>46</sup> However, only 11% of recipients were employed in 2007.

About half of all exits from DSP are due to retirement or death. During 2005, only 5% of recipients left for other reasons and only 13% of these people (less than 1% of all recipients) left to take up employment. This understates employment outcomes for DSP recipients because those employed part time are likely to be entitled to a part pension and therefore remain on DSP. Overall, one third of people with disabilities in jobs are employed part time. Nevertheless, these figures indicate that job prospects for DSP recipients are currently very poor.<sup>47</sup>

<b>Reasons for leaving DSP (2006-07)</b>	<b>Per cent</b>
Transfer to Age Pension	83%
Employment	11%
Transfer to another payment	3%
No longer eligible on disability grounds	2%
All	100%

Source: Response to Senate estimates question W164-08

As discussed above, the likely reasons for the declining job prospects of people with disabilities include the long term decline in low skilled jobs (especially for manual workers) together with financial disincentives for people to leave DSP and a lack of investment in employment supports for both people with disabilities and their potential employers.

<sup>46</sup> OECD 2007, op cit; Nucleus Group 2004, *Survey of new DSP customers*, report for FACS; Productivity Commission 2007, *Men not at work*.

<sup>47</sup> OECD 2007, op cit.