

EMBARGOED

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What if employers say no?

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Introduction

At around \$237 per week, Australia's Newstart Allowance is below the 50 per cent of median income poverty threshold, a level so low that even the Organisation for Economic Cooperation and Development (OECD) recommends it should be increased (Koutsogeorgopoulou, 2011).

For a single adult, the Disability Support Pension (DSP) pays almost \$100 per week more than Newstart. The gap has fueled concern that people who are capable of work will attempt to claim the disability pension and withdraw from the workforce.

One of the government's responses has been to revise the 'impairment tables' used to determine eligibility for the DSP in order to screen out claimants whose disabilities do not prevent them from undertaking paid work. The revised tables take a functionality approach rather than an approach based on incapacity. As a 'disability' policy this is a positive move. However as an 'employment/productivity' policy for people with a disability large numbers of people will be set up to fail in Australia's selective labour market.

Tests of the new tables suggest that around 40 per cent of formerly eligible applicants will be ineligible (Taylor Fry, 2011). Based on figures from the Department of Families, Housing, Community Services and Indigenous Affairs, this could see up to 14,400 people who would previously have been eligible for DSP now seeking work each year. It is our concern that many will end up on the Newstart Allowance for long periods of time. Just because a person is assessed as able to work does not mean they have a realistic chance of being offered a job.

As the OECD notes: "most countries today refer to a 'theoretical' labour market when assessing disability benefit eligibility, i.e. to jobs that exist in principle in the economy, rather than actually available jobs" (OECD, 2010b). Australia is no exception. Jobs that exist only in principle do not pay the bills.

The Government's steps towards improving access to Disability Employment Services is welcome. However, these steps fall well short of ensuring that the majority of people with a disability seeking paid employment will be able to obtain and sustain it over the long term.

The Government's own data indicates that more than 60 per cent of those seeking jobs through the Disability Employment Network failed to achieve a sustainable work outcome. (DEEWR, 2010). For many of these job seekers, there is a mismatch between the skills and attributes employers demand and what long-term income support recipients are able to supply. The recessions of the 1980s and 90s were accompanied by structural changes in labour demand and led to a ratcheting up of the proportion of working age people receiving income support. It is possible that the current mining boom will lead to another wave of restructuring and job losses.



Sustained economic growth in recent years has seen unemployment rates and the number of Newstart recipients fall. But unless the structural problems are addressed, the proportion of working aged Australians reliant on income support is unlikely to fall significantly. These structural problems are exacerbated by stigma and misconceptions about hiring people with disabilities. As a 2009 report by the National People with Disabilities and Carer Council notes: "People with a history of mental illness or an intellectual disability appeared to be particularly stigmatised. In other cases, employers seemed unwilling to employ a person with a disability due to misconceptions about the cost of modifications and adaptive technology"(National People with Disabilities and Carer Council, 2009).

While recent government policy has sought to increase work incentives it has not focused on programs to increase demand for workers who are most often excluded from the labour market.

Low cost training programs and tougher work requirements will not solve this problem.

If welfare reforms are about improving employment outcomes rather than saving money, it makes sense to create job opportunities that are targeted at people who are otherwise likely to remain on income support for long periods of time.

One place to start addressing the problem of job opportunities for workers vulnerable to income support dependency is in the Australian Public Service. According to the Australian Public Service Commission there is little difference in productivity between people with disability and people without. Yet the proportion of Australian public servants with a disability has fallen steadily since the 1980s. In 1986, 6.6 per cent of ongoing staff had a disability. By 2010 this had fallen to 3.1 per cent (APSC, 2006, 2011).

The Australian government should lead by example through direct recruitment and procurement policies that favour workers with disabilities. While it has urged the private sector to lift its employment of people with disabilities, the government is not leading by example. It also has the capacity to expand employment opportunities through ongoing (rather than temporary) wage subsidies and to target job creation efforts at those most likely to remain jobless.

In the end it is employers who determine the success or failure of welfare reform efforts. If employers say no to hiring people with disabilities, increasing the incentives to work is only half a solution. Government can play a significant role in influencing employers and co-workers attitudes towards employing people with disability through targeted and broad ranging education campaigns.

Unless a way can be found to provide paid employment for the large majority of those deemed capable of work, income support payments need to be adequate. Currently they are not. The fact that the OECD regards Newstart Allowance as inadequate is telling. Peter Whiteford of the Social Policy Research Centre writes: "I can't recall the OECD ever before saying that a country's unemployment benefits weren't generous enough – and I worked there for eight years" (Whiteford, 2010).



Is the disability pension out of control?

The widespread perception that spending on the disability pension is out of control has fuelled demands that policy makers should crack down on claimants and make receiving the pension more difficult.

Recent efforts at reform have renewed media concern about this issue. “The sheer numbers that are involved in disability pensions and other compensatory schemes are stupefying”, says the Daily Telegraph: “It is just not feasible that all of these people represent legitimate cases of disability, certainly not to the extent that work is impossible” (The Daily Telegraph, 2011). And in the Herald Sun, Susie O’Brien writes: “For too long now the disability pension has been a dumping ground for a lot of people unwilling, rather than unable, to work” (O’Brien, 2011).

In the media, there is a strong perception that the income support system itself is responsible for the build-up in pensioner numbers. As the Daily Telegraph’s David Barrett and Kelvin Bissett wrote in 2008: “Observers seem to be in agreement that the major obstacle to getting more disabled pensioners back to work is the value of their pensions” (Barrett & Bissett).

The impression created by media reports and commentary on the disability pension is that large numbers of people with less serious disabilities can be moved from welfare to work if only the government decides to make it more difficult to get the pension and insists that income support recipients look for work.

In reality there has been no explosion in welfare dependency in recent years and the barriers to work are significant. While the proportion of the working age population on DSP has increased from 4.3 per cent in 1996 to 5.1 in 2009, the rate has remained relatively stable since 2002. And despite the increase in the proportion of people receiving DSP, the proportion of working age people receiving income support has fallen since 1996.

DSP numbers have not grown because increasing numbers of people want to avoid work. Instead, much of the increase has been due to population ageing and reduced access to other non-activity tested benefits such as the age pension, Mature Age Allowance and widow pensions. According to Peter Whiteford of the Social Policy Research Centre, population ageing has driven much of the increase:

If the age structure of the population was held constant at 1996 shares, then rather than there being 5.1 per cent of the population receiving the DSP there would be 4.7 per cent. This means that about half of the total increase in numbers was the result of population ageing unrelated to any changes in the labour market, to the incidence of disability or to individual behavior (Whiteford, 2011).

Added to this, the government has been gradually lifting the pension age for women from 60 to 65. Where a pension was once granted automatically on the grounds of age, older women with a disability who are seeking a pension must now demonstrate eligibility for DSP. According to Whiteford the number of women aged 60 to 64 receiving DSP has soared from 3,400 in 1996 to 68,000 in 2009.



Other changes to the income support system have seen people shifting into DSP from other working age payments. For example, the government has phased out the Mature Age Allowance and is closing off payments that allowed women to claim income support while remaining outside the labour market.

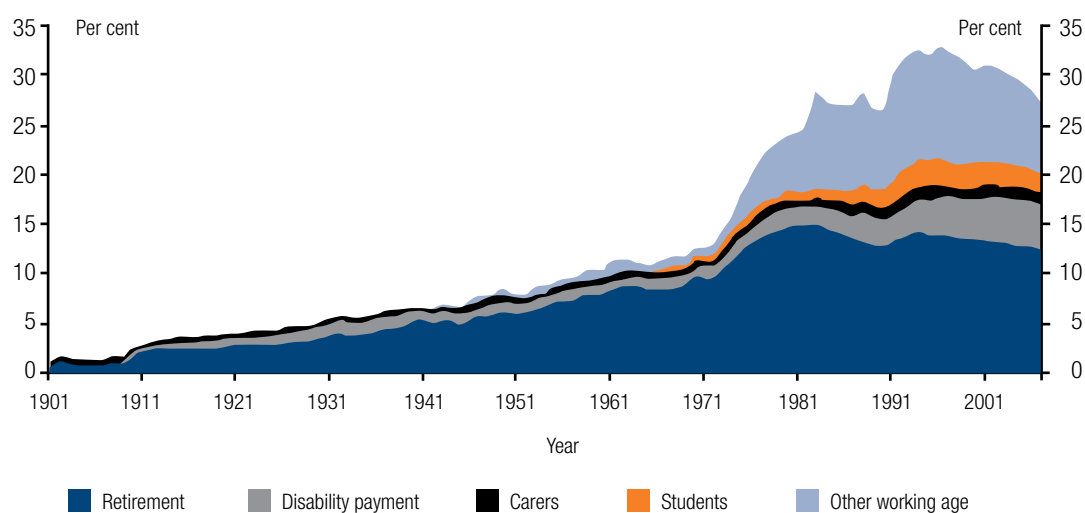
Most of the build-up in the proportion of the working age population receiving income support occurred during the 1980s and 90s in response to structural changes in the labour market. And this highlights the problem policy makers face if they want to move large numbers of working age from welfare to work. It is not enough to put pressure on recipients to look for work.

The key is to take account of how the demand for labour has changed and the factors influencing employer decision-making about hiring people with disabilities.

How structural change has increased reliance on income support

Recent falls in the rate of welfare reliance come after a sustained ratcheting up of the proportion of working age Australians on income support. As the charts below show, the proportion of the population receiving income support payments now is much higher than in the late 1960s.

Chart 1: Proportion of the population aged 15 years and over on income support, 1991–2008



Source: Pension Review Background Paper (Harmer, 2008: 35)

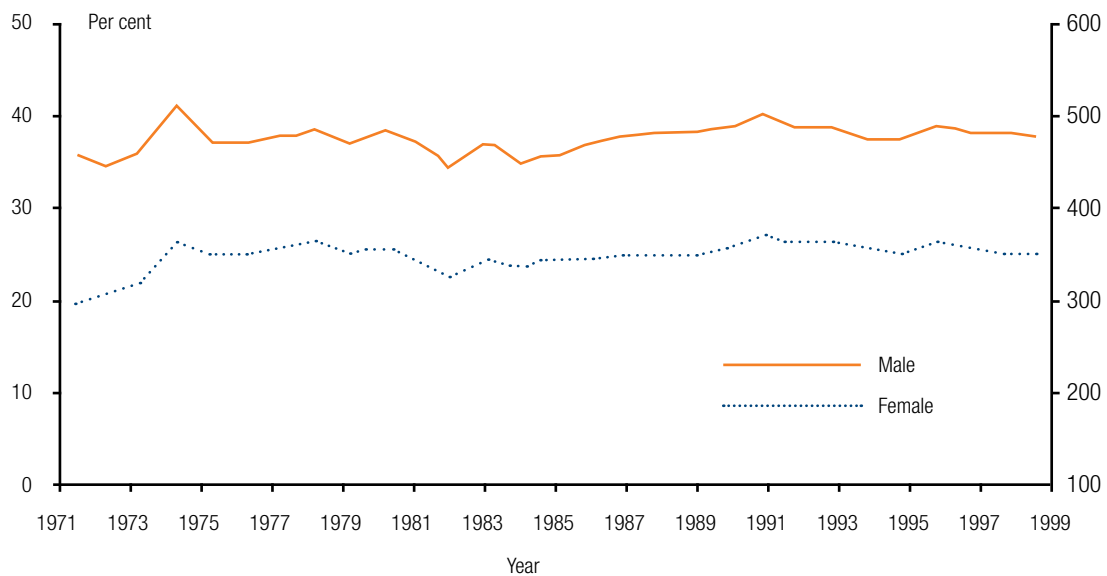


One thing that seems clear is that the increase in recipient numbers is not due to changes in the generosity of the pension relative to average total earnings. As Lixin Cai and Robert Gregory explain:

... the ratio of the maximum single pension rate to the average total weekly earnings did not change much over the period 1971–1997. In fact, the ratio appeared to decrease marginally from 1992 when the inflow rate sharply increased.

Therefore, even if the effect of the benefit level was correctly estimated by the above studies, it is still doubtful whether we can expect the change in the value of the benefit to explain very much of the increase in the number of the DSP recipients in Australia (Cai & Gregory, 2004).

Chart 2: Ratio of the maximum single pension rate to the average total weekly savings, 1971–1999



Sources: 1) The pension rate in June each year is taken from DSS (or FaCS) annual reports.

2) Male total average weekly earnings (MTAWE) is taken from Average Weekly Earnings, Australia, ABS cat. no. 6302.0.

Up to 1981 June quarter data are used for each year and after 1981 the May quarter data are used. Up to 1983 female earnings was derived from the male rate using average weekly earnings (AWE) figures at December each year (from Vamplew 1987, p. 157). From 1983 female AWE were taken from ABS cat. no. 6302.0.

Source: Lixin Cai and Robert Gregory, 'Inflows, outflows and the growth of the disability support pension (DSP) program' (Cai & Gregory, 2004).



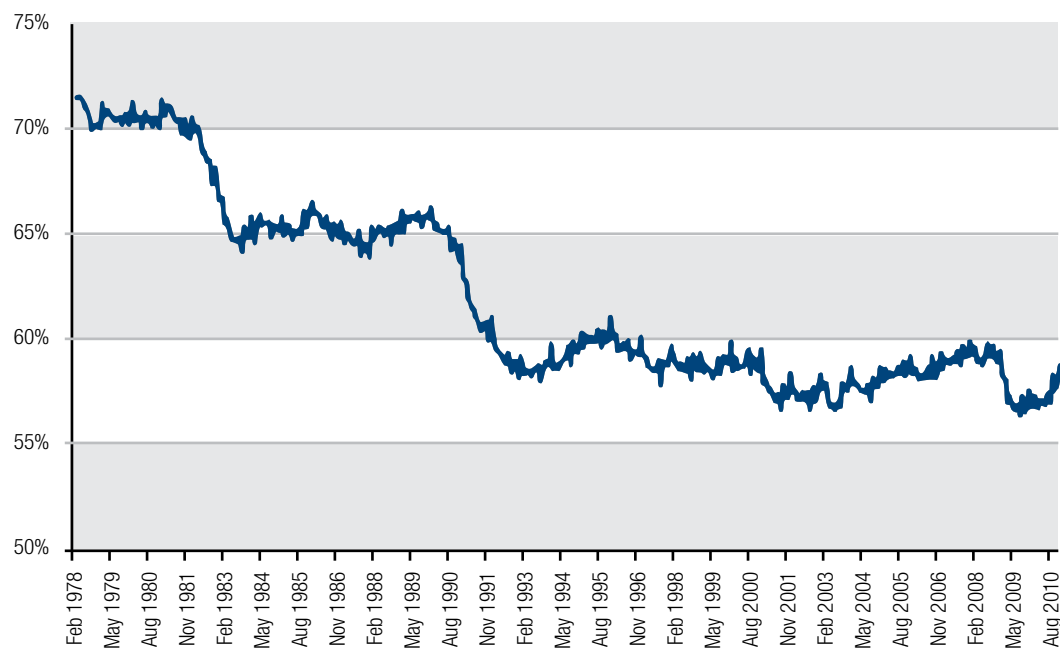
In a 2006 paper, Bob Gregory and Paul Frijters argue that despite minimum wages remaining flat, unskilled men have continued to lose employment over the past two decades:

To all intents and purposes, therefore, the increased welfare dependency is a long-term phenomenon from which there is no easy return. Australia seems to have found a new labour market equilibrium in which 1 million, mainly low-skilled, men are without full-time employment and on long-term state support. The loss of male jobs also seems to be spilling over into female employment, witness the 1.2 million increase in welfare support among women (Frijters & Gregory, 2006).

With unemployment currently low and some employers complaining about skill shortages it might seem a stretch to argue that labour market demand is a problem. But data on the rates of male full-time employment suggest exactly that.

The chart below shows how the proportion of men in full-time work has been falling. The fact that the most rapid declines occur during recessions, suggests that the change is not voluntary.

Chart 3: Men in full-time work as a percentage of all men (civilian population)

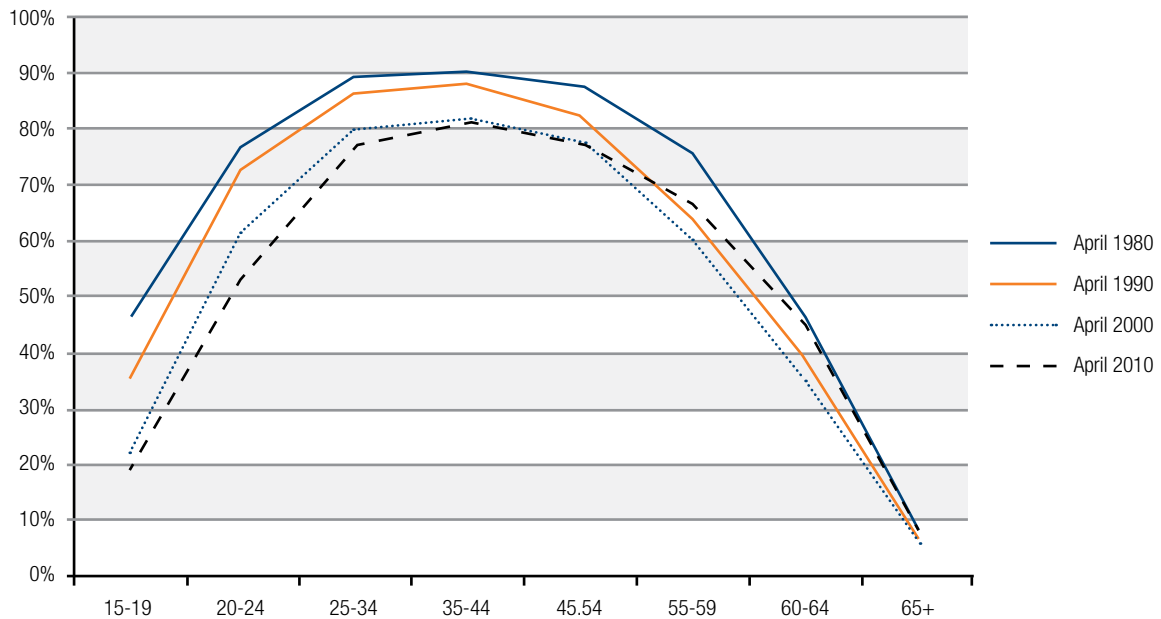


Source: ABS 6202.0 - Labour Force, Australia



It's also clear that the change isn't just the result of population ageing. The chart below shows how the full-time employment rate has fallen significantly for prime-age men.

Chart 4: Percentage of men employed full-time by age group



Source: ABS 6291.0.55.001 Labour Force, Australia, Detailed - Electronic Delivery

It seems likely that something has changed on the demand side of the labour market. After examining data on male employment and disability, the Productivity Commission's Ralph Lattimore concluded that:

... many more Australian men with a given set of impairments and core activity limitations must have been participating in the labour market four decades ago. And given the low unemployment rate of the time, most with such disabilities must have been employed. This suggests that many men with disabilities currently on DSP must have once been inherently employable, and something in the economic or social environment, rather than their disabilities per se, must have affected their job success (Lattimore, 2007: xxxi).

It may be that the same changes that have reduced male full-time employment rates have encouraged people with a combination of disabilities and other disadvantages to seek access to the disability pension and withdraw from the labour force. It may be that reducing job search effort and applying for DSP is a rational response to diminished opportunities.



The problem is not that labour market change has reduced opportunities specifically for people with disabilities, but that those who face reduced opportunities for other reasons and have a some kind of impairment are now more likely to seek access to DSP.

It is well established that, on average, income support recipients have lower levels of education than the general population. And this is particularly noticeable with DSP recipients. As the table below shows, almost 30% have not completed Year 10.

Table 1: Distribution of human capital by payment type

	Payment Types				
	Unemployment benefits ^(a)	Parenting Payment Single	Parenting Payment Partnered	Disability Support Pension	Other Payments
Education					
Below Yr 10	16.18	14.29	12.23	29.42	19.28
Yr 10-11	26.97	30.84	33.41	27.9	28.08
Yr 12	17.81	14.35	19.87	9.13	12.9
Certificates and diplomas	30.2	31.91	25.66	27.77	29.49
Degree and Higher	8.84	8.6	8.84	5.78	10.25
Sample Size	2510	1686	916	2978	2760

Source: Cai et al, 'Human Capital and the Patterns of Employment and Welfare Receipt' (Cai, Mavromaras, Zakirova, & King Fok, 2008: 14).

Lattimore argues that the demand for less educated male workers has fallen:

There has been a steep fall in the relative demand for unskilled and manual-skilled males over the past four decades (documented by Borland 1998 and Keating 2005 among others). For example, 'blue collar' occupations accounted for 63 per cent of male jobs in 1971 and only 46 per cent in 2000 (Keating, p. 4). There are several competing hypotheses about the cause of this fall. But the most likely is that technological change ('skill-biased technological change') has favoured male jobs embodying higher skills, better English proficiency skills and educational requirements, leading to higher wage and employment growth in these areas. This has good empirical support for Australia (for example, de Laine et al. 2000; Laplagne et al. 2001 and Webster 1999) and overseas (Lattimore, 2007: 174).



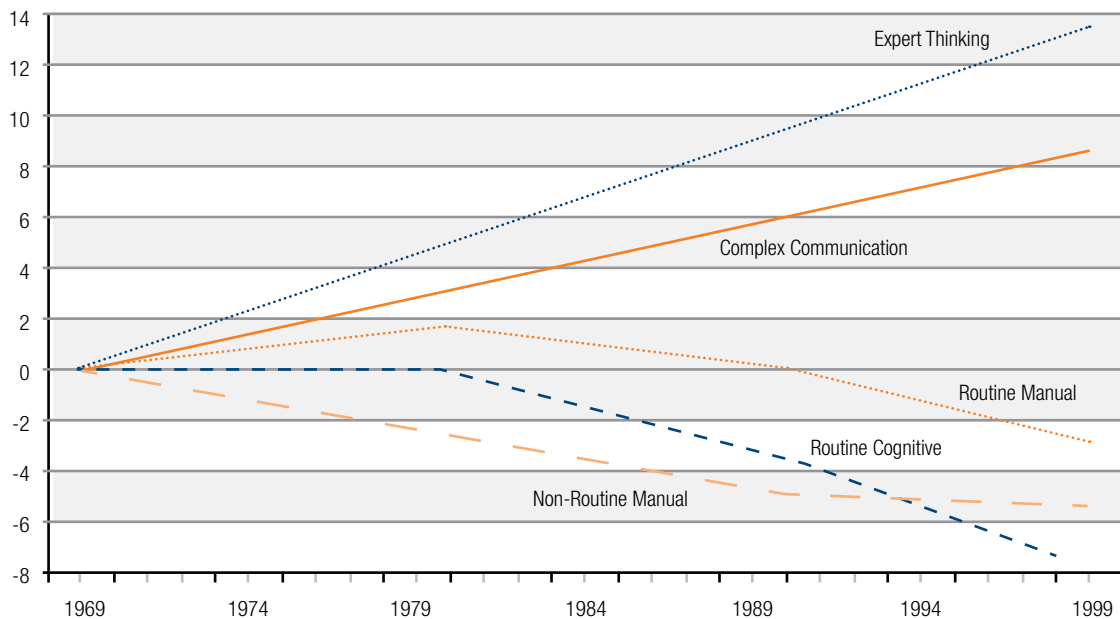
This shift has affected women as well as men. Reductions in female employment have been disguised by a simultaneous trend towards greater female participation in the labour market. More women are choosing to prepare for and pursue paid work.

While full-time blue collar jobs for men have declined, so too have some full-time 'pink collar' jobs for less-educated women. Economist Ross Kelly examined changes between 1991 and 2001:

The latter half of the decade was characterised by the changing structure of occupations within industries. There was further intensification of high skilled occupations among the full-time workforce. At the same time there was a significant decline in the employment share of clerical occupations, which generally are characterised by routine cognitive competencies (Kelly, 2007).

US researchers have found that between 1969 and 1999 the demand for manual skills fell as did demand for routine cognitive skills. Growth was highest in demand for expert thinking and complex communication (see chart below) (Autor, Levy, & Murnane, 2003; Curtain, 2005).

Chart 5: Growth pattern of jobs requiring routine and non-routine tasks input, 1969-1999, USA



Source: Autor, D; levy, F; and Murnane, R; 2003, 'The skill content of recent technological change: an empirical exploration' Quarterly Journal of Economics 118, November; presented in a revised form in Levy, F and Murnane, R; 2004, *The New Division of Labor: How Computers are Creating the New Job Market*. Princeton and Oxford, p 50.



Research in Australia suggests that something similar has occurred here. According to economist Jeff Borland:

... there is some evidence that appears consistent with effects of IT adoption on demand for tasks by their degree of routinisation and cognitive skills required. The largest increases in demand have occurred for the cognitive non-routine tasks of management and professional activities, and the non-cognitive non-routine task of caring. The largest decreases in demand have occurred for the cognitive routine tasks of numerical clerical work and secretarial assistance, and the non-cognitive routine task of machinery and plant operation (Borland, 2011).

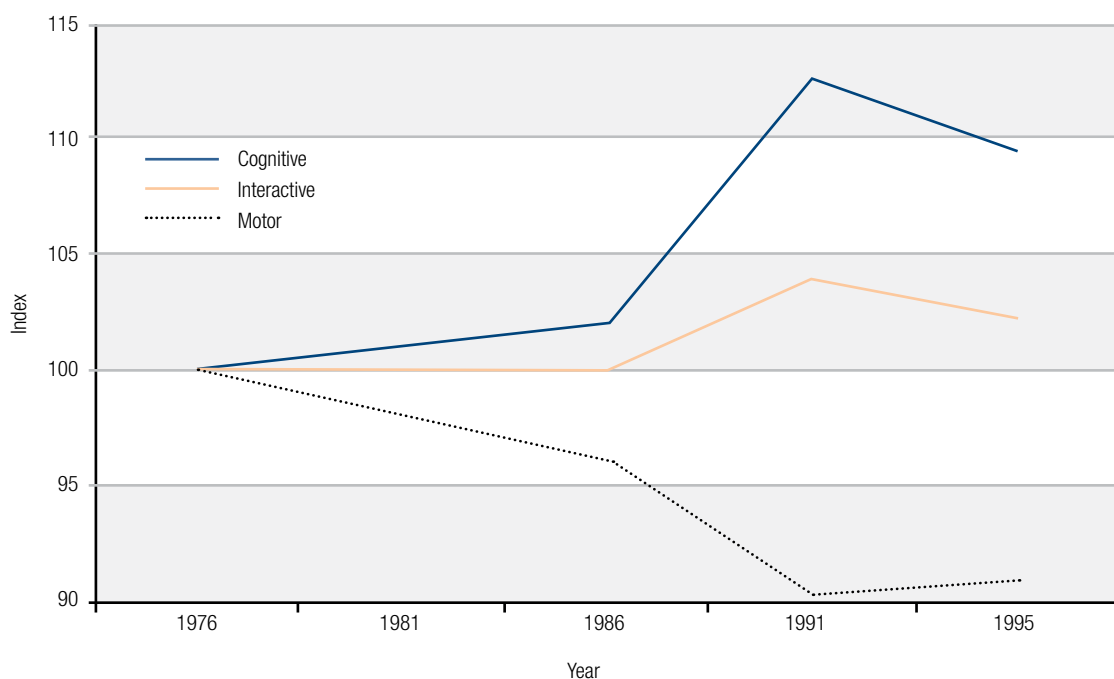
Ross Kelly and Philip Lewis argue that motor skills have become less important in the Australian labour market, while cognitive and interactive skills have become more important (Kelly & Lewis, 2003) (see also, Lowry, Molloy, & McGlennon, 2008; Pappas, 1998).

Table 2: Change in Average Skill Levels, Australia, 1991-2001, per cent

	Motor	Interactive	Cognitive	Education
All	-12.4	6.9	5.7	2.6
Part-time	-8.1	3.3	1.7	-0.8
Full-time	-10.8	9.9	9.2	6.4

Source: (Kelly & Lewis 2003)

Chart 6: Mean skill levels of employed persons in Australia 1979-1995



Source: (Lowry, Molloy & McGlennon 2008)



The decline in demand for manual work may have increased competition for the remaining jobs that rely on physical skill and ability. This may have raised employer expectations about punctuality, dependability and communication skills.

Structural changes in the labour market seem to have coincided with the increase in DSP numbers. And this raises the possibility that there are fewer job opportunities for people with disabilities than the low unemployment rate would suggest. There are good reasons for doubting that tightening access to income support payments will automatically result in a replacement of income through paid employment.

If it is changes in the demand for skills that is driving the increase in DSP numbers then just changing employer attitudes will not make the problem go away. The downward shift in employment in the Australian Public Service illustrates the problem. Despite a deliberate strategy aimed at hiring and retaining staff with disabilities, the proportion of public servants with a disability has fallen. A major reason for this is that positions at the APS1 and 2 entry levels have been reduced substantially. These are the levels which have traditionally offered most opportunity for people with a disability (APSC, 2006).

The limits of active labour market policy

The last Federal Budget included significant measures on education and training. If income support recipients could be retrained for the tasks employers demand, then they would have a win win solution. But such measures form only part of the solution. They do not reduce the need for a major policy focus on job creation, especially for people with disabilities.

Welfare agencies like Catholic Social Services Australia (CSSA) have argued that governments need to invest more in welfare to work programs for people who are disadvantaged in the labour market — programs such as the Disability Employment Service (DES). These kinds of programs can make a real difference to employment prospects. But making a real difference is not the same as overcoming the problem.

While welfare to work programs can make a difference, most participants do not end up in employment as a result of participation. For example, according to research by the Department of Education, Employment and Workplace Relations (DEEWR), 39% of job seekers who received assistance through the Disability Employment Network (DEN) achieved an employment outcome compared with 29.4% of a matched comparison group. This is a net impact of 10 percentage points and indicates that the program needs to serve 10 job seekers in order to achieve one additional outcome. DEN's performance isn't unusually low. In fact, as the table below shows, it's higher than most of DEEWR's welfare to work schemes (DEEWR, 2010).



Table 3: Off/Part-benefit net impacts – 12 months after commencement¹

Program	Comparison group	Treatment group	Net impact
	(%)		(Percentage points)
Intensive Support customised assistance 1	49.0	54.8	5.8
Intensive Support customised assistance 2	41.0	47.4	6.4
Intensive Support job search training	66.5	73.2	6.8
Mutual Obligation	51.5	58.4	6.9
Employment Preparation	55.3	72.9	17.6
Work for the Dole Commenced	42.1	48.2	6.1
Full-time Work for the Dole Referral ²	25.9	40.9	15.0
Full-time Work for the Dole Commenced	25.8	36.1	10.3
Disability Employment Network	29.4	39.4	10.0
Vocational Rehabilitation Services	31.4	36.3	4.9
Personal Support Programme	26.6	22.3	-4.3
Job Placement, Employment and Training ³	37.5	30.4	-7.1

1. Job seekers who commenced in assistance in February 2007 and outcomes achieved in March 2008. Results are only for job seekers who were on Newstart Allowance or Youth Allowance (other) in February 2007.

2. Only includes those who were referred to Full-Time Work for the Dole but never commenced.

3. Outcomes for the Job Placement, Employment and Training program were measured 11 months following commencement.

Source: DEEWR administrative systems and net impact study.

It is likely that more intensive programs could achieve even better results than this. But significantly improving the effectiveness of job search, education and training programs is likely to be expensive. After a certain point, other employment and poverty alleviation measures are likely to be more cost effective. As economists Flavio Cunha and James Heckman argue:

The optimal intervention strategies depend on the stage of the life cycle and endowments at each stage. For severely disadvantaged adults with low levels of capabilities, subsidizing work and welfare may be a better response for alleviating poverty than investment in their skills (Cunha & Heckman, 2010).

The imperfect effectiveness of training programs means that they cannot prevent people with disabilities from becoming worse off if eligibility for income support payments is restricted. This is why policy makers need to look beyond welfare to work programs.



Beyond welfare to work

Current policies focus on problems with labour supply. They are designed to:

- **Improve work incentives** by transferring many income support claimants onto lower payments such as Newstart Allowance. This not only means less income, but also more form filling, attending interviews, performing mutual obligation requirements and searching for work.
- **Employment programs.** Employment programs are designed to increase the effectiveness and intensity of job search, improve skills and help negotiate placements with employers.

Welfare to work efforts based on financial incentives and job search assistance rely on the assumption that there is a plentiful supply of jobs available to participants. But for people with disabilities who also experience other barriers, this is not the case. There is often a mismatch between what employers demand and what applicants are able to supply and education and training programs alone are not likely to solve this problem.

Some Disability Employment Services are already having success by working on the demand side of the problem. For example 'job carving' is an approach that identifies tasks within a workplace that can be performed by a worker with particular impairments. It is based on "carving out" a new position that can meet the needs of both the employer and the employee. Social enterprises can often be more flexible in tailoring jobs around the abilities of disadvantaged workers and are able to generate additional employment opportunities. These approaches are an essential part of the policy mix and could be further expanded.

Additional steps include efforts to prevent those who experience sickness or disability from leaving their employment and to create additional employment opportunities targeted at those who are most vulnerable in the labour market.

Because measures designed to improve job opportunities will never be 100 per cent effective it is important to maintain an adequate level of income support for those expected to search for work. This means increasing the rate of Newstart Allowance to narrow the gap between unemployment payments and DSP. It is far better to ensure that payments are adequate and to maintain incentives by tailoring activity testing to the circumstances of income support recipients who are at risk of long term joblessness.

Catholic Social Services Australia has previously recommended establishing an independent Australian Entitlements Commission to set and adjust standards of adequacy. As with the Remuneration Tribunal that determines entitlements for members of parliament and judges, the Entitlements Commission would be independent of government. (CSSA, 2009).



Prevention — involving employers

Many applicants for the DSP, particularly those who are older, move from work to income support. Often the best time to intervene is when a worker first experiences health problems and is still in employment. Faced with declining job performance and repeated absences from work an employer may allow or even encourage a worker to quit rather than working with them to accommodate their illness or disability and assist with rehabilitation.

According to the OECD there are a number of carrots and sticks governments can use to encourage employers to retain workers who experience illness (OECD, 2010b). For Australia, the OECD recommends that:

Employers should be responsible for monitoring repeated and longer-term sickness absences of their workers.

- This responsibility should be matched by financial incentives for employers to prevent illness and retain jobs, as done in other OECD countries e.g. by a longer mandatory wage-payment period.
- Employers should also have to inform the labour market authorities about dismissals following a prolonged sick leave (OECD, 2010a).

In the Netherlands policy makers achieved a sharp reduction to inflows onto disability payments by mandating obligations that apply to both employers and employees when a worker first becomes sick (van der Wel, 2008).

Creating more opportunities for work

In the United States economists David Autor and Mark Duggan observe that America's Disability Insurance system is functioning: "like a long-term unemployment insurance program for the unemployable." What they mean is that increasing numbers of people are moving into the disability system, not because their impairments prevent them from working, but because labour market conditions and other barriers prevent them from working (Autor & Duggan, 2006).

In Australia, many thousands of the applicants who do not meet the revised impairment table requirements from January 2012 are unlikely to find work. As the OECD notes: "most countries today refer to a 'theoretical' labour market when assessing disability benefit eligibility, i.e. to jobs that exist in principle in the economy, rather than actually available jobs" (OECD, 2010b). Just because a person is assessed as able to work does not mean they have a realistic chance of finding a paid job — even with access to training and job search assistance.



Leadership role for governments

Private sector employers and government departments share many of the same challenges to increasing their employment of people with disabilities. As a major Australian employer, the federal public service provides an important example of what could be achieved in hiring of people with disabilities.

It is recommended that commitments be made to achieve a significant increase in the employment opportunities for people with a disability through:

- **Direct hiring:** Government could use the APS to set an example of best practice in hiring and retaining people with a disability. Given the decline in the kinds of positions where people with disabilities are most likely to be hired, this may involve adding new functions and changing the organisation of work (eg creating positions that allow for episodic absences from work and reducing the need for multiskilling).
- **Procurement policies:** Government agencies are major purchasers of services. Agencies could require providers to meet targets for employing people with disabilities.

The New South Wales state government's 'Ready, Willing and Able' program is one model for increasing employment opportunities through public sector hiring and procurement. The program has bipartisan support. 'Ready, Willing and Able' requires three actions from departments and agencies:

Action 1: Each NSW government department will directly employ a minimum of five staff with disability each year in permanent full-time positions in 2010-2011 and 2011- 2012.

Action 2: Each principal NSW government department must have at least one procurement contract with a registered disability employer in 2010-2011 and 2011-2012.

Action 3: Departments and agencies can create opportunities for people with a disability by giving priority to 5% of all apprenticeship, cadetship and traineeship places for people with disability (NSW Government, 2011).

This program was inspired by the success of the USA's Ability One program over the last forty years. It provides employment opportunities to more than 40,000 people and uses the purchasing power of federal agencies to buy products and services nationwide from participating, community-based non-profit agencies dedicated to training and employing individuals with disabilities.

There are also not-for-profit organisations such as the Australian Network on Disability who work with their members and clients (a number of government departments and agencies are listed) to advance the inclusion of people with disability in all aspects of business.



In an attempt to combat the stigma and misinformation about employing people with disabilities, the Government should also look at running a broad ranging, mainstream education and media campaign about people with disabilities and their capacity to work. A recent report by Sane Australia titled “The Working Life and Mental Illness” found that 95 percent of the 520 people surveyed said employers and managers needed education about mental illness, and training on how to manage its effects in the workplace. The report also found that three quarters of the 520 respondents surveyed had never received information or help from government programs designed to assist workers to maintain their job. (Sane Australia, 2011)

Ongoing subsidies for workers with permanently reduced capacity.

In many cases a person’s impairments reduce the range and amount of work they are able to do. Matched to the right job and with appropriate workplace modifications, the person will be just as productive as a worker without impairments. But in other cases, a person’s impairments and other disadvantages may affect their productivity. For example, they may work more slowly or have less stamina.

For people with permanently reduced work capacity, one response is to offer permanent wage subsidies. Subsidies can be adjusted depending on the person’s work capacity.

A risk with wage subsidies is that workers who would otherwise have been hired on a full wage are hired with a subsidy. To manage this risk wage subsidies would need to be tightly targeted at those who are unlikely to benefit from other forms of assistance.

The 2011–12 budget includes additional funding for wage subsidies that will be available for people registered with a Disability Employment Services provider and for the very long term unemployed. While this is a welcome step, temporary subsidies do not address the problem of workers whose productivity remains low after the subsidy ends.

Promoting job creation

Jobs need not be in the public sector. Government can support job creation in social enterprises and the community sector. The purpose of this kind of direct job creation is to provide people with work directly. This distinguishes ‘employer of last resort’ programs from work experience or intermediate labour market programs. ‘Last resort’ programs are designed to create employment. Intermediate labour market programs, like training programs and temporary wage subsidies, are designed to improve participants’ productivity so they can secure unsubsidised employment.



Conclusion

Long term reliance on income support should be a last resort for people with a capacity to work. To maximise opportunities for paid employment and minimise the number of people reliant on income support, Australia needs a mix of policies that address both supply and demand. And because even the best employment policies cannot guarantee employment, income support needs to be adequate.

For many people with a disability, it is not only their impairments and other personal disadvantages which prevent them from gaining employment. There may be a lack of demand for the skills they have and are able to develop. Entrenched employer attitudes and work practices also limit employment opportunities.

The steady decline in the proportion of people with disability entering the Australian Public Service is a reminder of how challenging the problem can be even where an employer is strongly motivated to hire people with a disability. Most policies focus on the skills and behavior of individuals with disabilities rather than on employers and the structure of the labour market. The result is that more people are forced to rely on income support rather than on paid work.

A key step is to more actively promote the creation of employment opportunities for people with a disability across the labour market, including through collaboration with employer groups to change attitudes to hiring people with a disability.

The impact of the revised impairment tables in January 2012 can be expected to direct many thousands of people with a disability onto Newstart allowance for an extended period, with some of these unlikely to sustain employment over the long term. This highlights the inadequacy of Newstart. To ensure people with disabilities are not disadvantaged by changes to the impairment tables and job search requirements, the government needs to lift the adequacy of unemployment payments and create employment opportunities. These policies might not be budget neutral but they are the right thing to do.

(Borland, 1998) (Keating, 2005) (de Laine, Stone, & Laplagne, 2000) (Laplagne, Stone, & Marshall, 2001) (Webster, 1999)



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