



Centre of Full Employment and Equity

**Submission to the Senate Select Committee
on Mental Health**

Inquiry into the Provision of Mental Health Services in Australia

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Centre of Full Employment and Equity
The University of Newcastle, Callaghan NSW 2308, Australia
Home Page: <http://e1.newcastle.edu.au/coffee>
Email: coffee@newcastle.edu.au

The Centre of Full Employment and Equity

The Centre of Full Employment and Equity (known as CoffEE) is an official research centre at the University of Newcastle and seeks to promote research aimed at restoring full employment and achieving an economy that delivers equitable outcomes for all.

CoffEE research projects include public sector employment policies and the Job Guarantee; central banks and financial markets; estimating the costs of inflation targeting and unemployment; welfare-to-work dynamics and spatial dimensions of disadvantage.

CoffEE Director, Professor Bill Mitchell, and Deputy Director, Associate Professor Martin Watts, are members of the newly established ARC Network in Spatially Integrated Social Sciences (SISS). Over the next five years, the SISS Network will build Australia's capacity for innovative, collaborative and cross-disciplinary efforts to investigate the impacts of change on the behaviour and well being of people and the fortunes of places.

CoffEE has developed labour market indicators - CLMI - which provide more accurate measures of labour underutilisation in Australia than the official summary data published by the Australian Bureau of Statistics.

For further information on this submission, please contact:

Professor William Mitchell
Professor of Economics
Director, Centre of Full Employment and Equity
University of Newcastle
Callaghan NSW 2308
Tel: 02 4921 5027 or 0419 422 410
Fax: 02 4921 8731
ecwfm@alinga.newcastle.edu.au

Ms Sally Cowling
Research Fellow
Centre of Full Employment and Equity
University of Newcastle
Callaghan NSW 2308
Tel: 02 4921 8981 or 0402 853 885
Fax: 02 4921 8731
sally.cowling@newcastle.edu.au

Committee Secretary
Senate Select Committee on Mental Health
Department of the Senate
Parliament House
Canberra ACT 2600

Dear Secretary,

Senate Select Committee on Mental Health

Thank you for the opportunity to make a submission to the Senate Select Committee on Mental Health.

In 2004, the Centre of Full Employment and Equity (CofFEE) was approached by Hunter Mental Health (part of the Hunter Area Health Service, NSW Department of Health) to form a research partnership, which aims to create effective employment solutions for people with mental illness. Hunter Mental Health were particularly interested in CofFEE's proposal for a Job Guarantee and how that might be adapted to meet the work and support needs of their client group.

The focus of our research work is on the employment needs of people with mental illness or psychiatric disability and the inability of current employment programs to accommodate the needs of those with episodic illness. In making a submission to the Select Committee we have directed our comments to those terms of reference dealing with the access of people with mental illness to paid employment, and associated issues relating to funding and coordination of care services.

The body of our submission is a CofFEE Working Paper, which evaluates the effectiveness of contemporary disability employment reforms in assisting people to find, or return to, open employment. The paper argues that the poor employment outcomes from current programs establish the need for a paradigm shift in employment policy for people with mental illness in the form of a state-provided Job Guarantee (JG). An abridged version of this paper was presented to the National Conference on Unemployment in 2004 and has been published in the referred conference proceedings (Bill, Cowling, Mitchell and Quirk: 2004). We have provided the longer paper to the Committee as it contains more detailed empirical analysis of unmet need in employment for people with mental illness, which may be useful to the Inquiry.

In the remaining sections of this letter, we summarise the arguments and policy proposal advanced in our Working Paper (attached) and respond to issues raised in the Committee's Terms of Reference where these are within our area of expertise.

Creating effective employment solutions for people with mental illness

- CofFEE's Working Paper (attached) evaluates the effectiveness of current disability employment reforms in enabling people to find, or return to, paid work. The poor employment outcomes from current programs, and the depth of labour market disadvantage experienced, establish a case for a paradigm shift in employment policy for people with mental illness or disability.
- CofFEE advances a proposal for the introduction of a state-provided Job Guarantee (JG) for people with mental health problems. Indeed, it is our preference that all individuals who are able to work – but who are unable to secure jobs in the public or private sectors - be eligible for JG positions. Under the JG, the Federal government would maintain a 'buffer stock' of minimum wage, public sector jobs to provide secure paid employment for disadvantaged citizens. The pool of JG workers would expand when the level of private sector activity falls and contract when private demand for labour rises.
- The role of the state in realising this objective would be two-fold. First, the state must provide the quantum of JG jobs required. Second, the state must ensure that the design of jobs is flexible enough to meet the heterogeneous and variable support needs of workers with mental illness or disability.
- The lack of progress in reducing the level of joblessness among people with mental illness or disability reflects poorly on two critical, and interrelated, assumptions that have checked policy discussions and the effectiveness of the emergent reform agenda. First, the debate has assumed that measures to improve the 'employability' of people with mental health problems will lead to positive employment outcomes. Second, the debate assumes a Federal government budget constraint, and policy options are only to be recommended if they are consistent with fiscal austerity. This limits the scope for implementing effective solutions.
- If we are to break the cycle in which people with mental illness or disability find themselves unemployed, marginalised and poor then we must directly address deficient labour demand while we build a more accessible and personal support framework. CofFEE argues that the Federal government must use its power as the issuer of currency to maintain levels of aggregate demand compatible with full employment and inflation control. The JG proposal is a means to achieve this goal.
- While restrictive macroeconomic policy 'disables' the labour market, the government's supply-side measures can only deliver marginal improvements in employment outcomes. A JG would attend to the demand side of the economy and is the essential analogue to the current reform agenda. The JG model would be accessible to people with mental health problems as JG jobs can be designed to accommodate the needs of those with episodic illnesses, and be integrated with the medical, rehabilitation and support services that workers may require.

Responses to selected terms of reference

- a. The extent to which the National Mental Health Strategy, the resources committed to it and the division of responsibility for policy and funding between all levels of government have achieved its aims and objectives, and the barriers to progress.

In 1993, the *Report of the National Inquiry into the Human Rights of People with Mental Illness* (HREOC, 1993: Chapter 12) noted the discordance between the importance of paid work for people with mental illness and their access to paid employment. There are two related problems: (a) a demand-deficient labour market excludes a disproportionate number of people with mental illness by placing them at the bottom of the queue awaiting work; and (b) the design of available jobs may be inappropriate for those experiencing episodic illness. In a tight labour market (where jobs outweigh the workers wanting them) employers are more willing to accommodate disabilities and other worker characteristics that would otherwise be the basis of exclusion when jobs are scarce.

The 1993 Report made important recommendations to develop specific vocational services for people with mental illness and to address gaps in service provision, but it failed to advocate an increase in the quantum of jobs available (HREOC, 1993: 922-23).

Ten years on, the *Third National Mental Health Plan (2003-2008)* notes that access to essential support services by those with mental health needs remains both inequitable and problematic. Access to education and training, employment services and income support are seen as essential to recovery (National Mental Health Strategy, 2003: 19) but no attention is given to measures which would provide access to suitable employment opportunities. The effectiveness of the Plan will be evaluated against a set of key outcomes, which include the adoption of a greater recovery orientation by, and more equitable access to, mental health services. Measures to enhance and support the employment of people with mental illness, and greater cooperation across service sectors are seen as pivotal to the attainment of these goals (Australian Health Ministers, 2003: 17, 22).

- e. The extent to which unmet need in supported accommodation, employment, family and social support services, is a barrier to better mental health outcomes.

In a general labour market environment characterised by a shortage of jobs, people with mental illness face a range of additional challenges that make it difficult to find work that accommodates their interests, abilities and support needs. A complex interaction of factors means that people with mental disorders are more likely to be unemployed. Section 2 of our Working Paper provides data on labour market outcomes by type of disorder. It may be that those with mental disorders find it more difficult to get jobs. At the same time unemployment may contribute to mental disorder (ABS, 1998: 9).

A 2002 study on the costs on psychosis in urban Australia found that the cost burden of psychosis is positively associated with the level of disability and unemployment. The researchers found that there may be potential cost-benefits if rates of participation in meaningful activity (such as full-time or part-time employment) by the unemployed are

increased through appropriate rehabilitation programs (Carr, Neil, Halpin and Holmes, 2002). Furthermore, Mathers and Schofield (1998: 180) note that cross-sectional and longitudinal studies have consistently found poorer psychological health in unemployed compared with employed people, after accounting for health selection effects. In this context, the maintenance of full employment could be seen as a preventative measure within a population approach to mental health. A more detailed discussion of the psychological impacts of job insecurity is contained in Section 4.7 of our Working Paper.

In a separate study of employment and psychosis, Frost, Carr and Halpin (2002) cite a number of studies attesting to the positive impact of employment on a range of non-vocational domains of functioning. These included lower symptoms, improved self-esteem and social skills and reduced hospitalisations. Offsetting these benefits was the low access to employment opportunities for people with psychotic disorders.

- f. The special needs of groups such as children, adolescents, the aged, Indigenous Australians, the socially and geographically isolated and of people with complex and co-morbid conditions and drug and alcohol dependence.

The Centre of Full Employment and Equity and its industry partner, Hunter Mental Health, have applied for an Australian Research Council Linkage Grant to develop a new framework to assist young Australians with psychosis to obtain open employment. Our research focus on young people with psychosis is significant for a number of reasons.

First, recent Australian research into duration on Disability Support Pension (DSP) shows that the younger the entry age of the new DSP recipient, the longer they are estimated to remain on the benefit. For young people with psychosis, the provision of early assistance to gain and maintain employment may prevent long-term reliance on DSP (Cai, 2004). Second, the onset and impact of mental disorders co-occurs with significant life stages, such as the transition from adolescence to adulthood, family formation, and career establishment and development (Butterworth *et al.*, 2004). At this time, the onset of mental illness can be particularly damaging – impacting on successful labour market entry and irreparably disrupting the life-long process of acquiring skills and experience in educational and vocational settings. Third, a large body of international psychiatric research has established the importance of early intervention (for example, Birchwood *et al.*, 2000; EPPIC, 2001). Coinciding with the crucial development phase of adolescence or early adulthood, the first psychotic episode interrupts a young person's ability to achieve a sense of identity, develop as an independent decision-maker, mature as a psychosexual being, and establish realistic social, educational and vocational goals (Human Services Victoria, 2000). Frost *et al.* (2002) note that without early and individually tailored responses, there is a strong likelihood that secondary morbidity may develop. In the absence of socially effective solutions, many young people with psychiatric disabilities are placed on the activity-tested Newstart Allowance or - when the stress of maintaining these job-search requirements proves too great - the DSP. DSP has an acknowledged tendency to create resignation and dependency. In the absence of an appropriate “supportive social benefit” (Frost *et al.*, 2002: 11), exploration of employment options can be a futile and overwhelmingly negative experience.

Should the ARC grant be awarded, the research collaboration between CofFEE and Hunter Mental Health will review international research studies (including randomised

controlled trials of employment models for people with severe mental illness) to explore the potential for successful international models to be applied, in whole or in part, in an Australian setting.

The specific aims of the Project are to:

- Examine the implications of early disruption to the education and labour market experiences of young people (aged under 25 years) with psychosis.
- Critically assess the effectiveness of existing Commonwealth and State programs in supporting transitions to work, and sustained employment outcomes, for young people with psychosis. Assessment will focus on the accessibility and appositeness of employment assistance pathways, the degree of integration between mental health, employment and vocational rehabilitation services, and difficulties arising from the organisation and financing of support services under competitive Federalism.
- Conduct a comprehensive review of international models of work rehabilitation and employment intervention for young people with severe mental illness. Successful international models will be compared to those currently operating in Australia and any barriers to the domestic adoption or adaptation of international best practice will be identified.
- Develop an integrated framework for creating effective employment solutions for young people with psychosis in Australia. The framework will delineate prevention and treatment strategies, and develop organisational and funding models, that will improve service delivery across health, employment, training and rehabilitation at federal, state and local level.

The Australian Research Council is expected to announce funded Linkage Projects for 2006-2008 in May 2005.

m. The proficiency and accountability of agencies, such as housing, employment, law enforcement and general health services, in dealing appropriately with people affected by mental illness.

In recent times, we have heard that the Australian economy is “nearing full employment”. This is clearly not the case. In February 2005, 535,000 Australians were ‘officially’ unemployed and the average duration of unemployment was 36 weeks, and 146 weeks for the long-term unemployed (those unemployed for 52 weeks or more). CoffEE’s Labour Market Indicators (CLMI) for February 2005, show that the combined effect of unemployment, underemployment and hidden unemployment is to waste 9.7 per cent of our potential labour hours. This is a tough job market for people with mental illness or disability to compete in.

Section 4 of the CoffEE Working Paper provides a critical evaluation of the suite of Commonwealth programs designed to assist people with disability to gain open employment. For example, in Section 4.2 we discuss the particularly poor employment outcomes for people with psychiatric disability under programs that use financial inducements to employers as the means to increase participation in paid work. Evaluations of these programs have found them particularly ill suited to individuals whose disability has a variable impact on their productive capacity.

Our principal conclusion is that – in the absence of concomitant measures to create the public sector jobs required – the Commonwealth’s supply-side focus represents an imbalanced, costly and largely ineffective approach to disability employment reform. Measures to improve payment structures, service gateways and assessment protocols are not unimportant. However, a policy agenda that aims to increase employment outcomes for people with mental illness or disability must create opportunities, as well as incentives and supports, for paid employment.

On the supply side, the lack of progress in improving the efficacy of employment assistance for people with illness in Australia stands in sharp contrast to the significant innovations in international models of service delivery. For example, the Individual Placement and Support (IPS) model integrates paid employment, rehabilitation, and on-going clinical health support. Controlled trials have shown that over time, IPS participants exhibit better employment outcomes, have lower absenteeism, receive higher wages and are more successful in gaining competitive employment than a comparison group offered a psychosocial rehabilitation program with a vocational service component (Lehman *et al.*, 2002). This approach has not received priority or appropriate funding in Australia.

There is growing recognition that the integration of clinical and vocational approaches is likely to be most effective in improving the employment outcomes of people with mental health conditions. While vocational rehabilitation is now recognised in Australia as a key component of psychosocial interventions for people with severe mental illness or psychiatric disability, well-established vocational models, such as transitional employment, have difficulty adapting to the Australian environment. Waghorn and King (1999) suggest that the problems lie in the Australian separation of clinical and rehabilitation services, high unemployment and an increasing emphasis on productivity and work performance in workplace agreements.

As we have stressed in the earlier summary of our Working Paper, CoffEE’s principal motivation for making this submission is to advance an alternative policy solution in the form of a state-provided Job Guarantee (JG) for people with mental illness or disability. A detailed discussion of the JG proposal is contained in Section 5 of our Working Paper while the research partnership between CoffEE and Hunter Mental Health is examining ways to effectively integrate the JG scheme with mental health, rehabilitation and employment support services.

In considering the case for a JG, it is important to consider the circumstances under which employers are more (and less) likely to hire a person with mental illness. CoffEE argues that in a tight labour market, where workers are scarce, employers are more willing to accommodate worker characteristics that would be the basis of exclusion when jobs are scarce. It is in this environment that the supports and assistance the Government currently offers private sector employers (such as funding to provide specialist support for the new employee and his or her co-workers) become effective.

The aim of the Job Guarantee (JG) is to create a fully employed economy. Under conditions of full employment, the cost to employers of engaging in highly selective or discriminatory hiring practices is that they will face labour shortages while available workers are employed and trained by their competitors. This is a very dynamic

environment in which firms are forced to seek ways to enhance productivity and maintain the skill level of their workforce. It is this important dynamic that is quashed when macroeconomic policy maintains an excess supply of labour.

The introduction of a JG would mean that employers are able to hire from a pool of people with mental health conditions who are already working and maintaining essential labour market skills (such as punctuality and teamwork) as opposed to hiring from a pool of people who have experienced long-duration unemployment (and associated participation in labour market programs) or long-term dependence on the Disability Support Pension. Private sector employers need only offer a wage that is slightly above the minimum safety net level to induce most JG workers to take up the positions on offer. The role of the Commonwealth switches to improving the integration of the support services a worker with a disability may require within the context of a private sector workplace.

- o. The adequacy of data collection, outcome measures and quality control for monitoring and evaluating mental health services at all levels of government and opportunities to link funding with compliance and national standards.

It is important that the Committee examines results derived from age-standardised data. For example, the concentration of mental health problems among younger adults means that the effect of age standardisation is to increase the incidence of unemployment and lower the labour force participation rate of people with mental illness or disability.

One of the difficulties CofFEE encountered in working with earnings data from the FaCS *Disability Services Census* was the inability to directly cross-tabulate weekly wages in open employment with type of disability. Indirect inference had to be relied on as a guide to the earnings outcomes for persons with psychiatric and other disabilities. A second source of frustration was the difficulty in gauging the sustainability of employment, education and training outcomes attained by people with disability (results are not available by type of disability) who are registered with Job Network providers or are participating in labour market programs such as Work for the Dole. The Post Program Monitoring (PPM) Survey conducted by the Department of Employment and Workplace Relations (DEWR) measures outcomes achieved by job seekers three months after they exit labour market assistance.

In addition, there is highly restricted access to FaCS administrative data which would allow researchers (beyond the small group that seems to have access) to examine welfare dependency among DSP recipients and the extent to which individuals move between different forms of income support and between income support and work. If one researcher is using this data set then measures to protect confidentiality must be in place that can apply to all researchers. So it is hard to understand why a larger group of researchers are not permitted to work with the data given the importance of establishing and understanding the sustainability of employment outcomes? It is interesting to note that CofFEE researchers can access (social security) administrative data for the US free of charge but not for Australia.

In closing, please do not hesitate to contact us if you require further information on any of the issues raised in our submission, and accept our best wishes for your important Inquiry.

Kind regards,

Professor William Mitchell
Director, Centre of Full Employment and Equity
University of Newcastle

Ms Sally Cowling
Research Fellow, Centre of Full Employment and Equity
University of Newcastle

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