



Centre of Full Employment and Equity

**Submission to the Human Rights and
Equal Opportunity Commission**

National Inquiry into Employment and Disability

April, 2005

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

Dr Sev Ozdowski
Human Rights Commissioner and Acting Disability Discrimination Commissioner
Human Rights and Equal Opportunity Commission
GPO Box 5218
Sydney NSW 2001

Dear Commissioner,

National Inquiry into Employment and Disability

Thank you for the opportunity to make a submission to the Human Rights and Equal Opportunity Commission *National Inquiry into Employment and Disability*.

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 psychiatric disability. 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 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 psychiatric disability 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 proceedings¹. We have provided the longer paper to the Commission as it contains more detailed empirical analysis of the labour force participation, unemployment, income and hours worked of people with disabilities that may be useful to the Inquiry.

The focus of our research work is on the employment needs of people with psychiatric disability and the inability of current employment programs to accommodate the needs of those with episodic illness. However, the need for policies that create secure, yet flexible, paid employment can be generalised to all disability groups.

In the remaining sections of this letter we summarise the arguments and policy proposal advanced in our Working Paper (attached) and briefly respond to questions posed in the Commission's Issues Papers where these were not directly addressed in the CofFEE Working Paper.

¹ See Bill, A., Cowling, S., Mitchell, W.F. and Quirk, V. (2004) 'Creating Effective Employment Solutions for People with Psychiatric Disability', in E. Carlson (ed.) *A Future that Works: Economics, Employment and the Environment, Refereed Conference Proceedings*, Centre of Full Employment and Equity, University of Newcastle, December 8-10, pp. 74-83.

Creating Effective Employment Solutions for People with Psychiatric Disability

- CoffEE's Working Paper² evaluates the effectiveness of current disability employment reforms in enabling people to find, or return to, paid work. The depth of labour market disadvantage experienced, and the poor employment outcomes from current programs, establishes a case for a paradigm shift in employment policy for people with psychiatric disability.
- CoffEE advances a proposal for the introduction of a state-provided Job Guarantee (JG) for people with psychiatric disability. 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 disabilities.
- The lack of progress in reducing the level of joblessness among people with 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 disability 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 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 psychiatric disability 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.

² Bill, A., Cowling, S., Mitchell, W.F. and Quirk, V. (2004) 'Creating Effective Employment Solutions for People with Psychiatric Disability', *Centre of Full Employment and Equity Working Paper No. 04-06*, University of Newcastle, October.

Feedback on Issues Paper 1: Employment and Disability – The Statistics

Much of the data presented in the CoffEE working paper is taken or derived from the following four sources:

1. Australian Bureau of Statistics (1998) *Mental Health and Well-being: Profile of Adults, Australia, 1997*, Cat. No. 4326.0, Canberra.
2. Australian Bureau of Statistics (1999) *Disability, Ageing and Carers: Summary of Findings: 1998*, Cat. No. 4330.0, Canberra³.
3. Australian Institute of Health and Welfare (2000) *Open Employment Services for People with Disabilities 1998–99*, AIHW Cat. No. DIS 20, Canberra.
4. Department of Family and Community Services (2003) *Commonwealth Disability Services Census 2001*, Canberra.

It is important that the Commission 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 psychiatric 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 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.

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 it 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 set given the importance of establishing 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.

An increasingly important data set for examining labour market outcomes over time for people with disability is the Survey of Household Income and Labour Dynamics in Australia (HILDA). This is a nationally representative panel survey that includes SF-36 data (a widely used self-completion measure of health status comprising items relating to

³ Survey results for 2003 were published by the Australian Bureau of Statistics subsequent to the publication of our Working Paper. The 2003 data has been used in HREOC's *National Inquiry Issues Paper 1*.

physical, psychological and social functioning, symptoms experienced and limitations due to health). The efficacy of the HILDA Survey will increase as further waves of data are collected.

Feedback on Issues Paper 2: Issues Facing People with Disabilities

Sections 3 and 4 of our Working Paper set out the systemic barriers confronting people with psychiatric disability who wish to participate in paid employment. We argue that the discordance between the importance of paid work for people with psychiatric disability and their access to paid employment is (for the most part) the product of two related problems:

1. A demand-deficient labour market excludes a disproportionate number of people with psychiatric disability by placing them at the bottom of the queue awaiting work; and
2. The design of available jobs may be inappropriate for those experiencing episodic illness.

On the supply side, the lack of progress in improving the efficacy of employment assistance for people with disability 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 component⁴. 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 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 and/or psychiatric disability, well-established vocational models, such as transitional employment, have difficulty adapting to the Australian environment. Waghorn and King (1999)⁵ 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.

Finally, 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 disability. A detailed discussion of the JG proposal is contained in Section 5 of our Working Paper.

⁴ Lehman, A.F., Goldberg, R., and Dixon, L.A. (2002) 'Improving Employment Outcomes for Persons with Severe Mental Illnesses', *Archive of General Psychiatry*, 59, 165-172.

⁵ Waghorn, G. and King, R. (1999) 'Australian Trends in Vocational Rehabilitation for Psychiatric Disability', *Journal of Vocational Rehabilitation*, 13, 153-63.

Feedback on Issues Paper 3: Issues for Employers

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 disability, seeking open employment, to compete in.

In an open labour market characterised by a shortage of jobs, people with disability face a range of additional challenges that make it difficult to find work that accommodates their interests, abilities and support needs. These factors may include lack of training and experience, the physical and psychological impact of their disability, job design and negative employer attitudes.

In Section 4.2 of our Working Paper 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 found them particularly ill-suited to individuals whose disability had a variable impact on their productive capacity. The *Review of the Employer Incentives Strategy* also portrayed wage subsidies as blunt instruments with inherent risks.

It is important to consider the circumstances under which employers are more (and less) likely to hire a person with a disability. 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 for workplace modification, and 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 disability 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.

Feedback on Issues Paper 4: Commonwealth Government Assistance

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. 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 psychiatric disability must create opportunities, as well as incentives and supports, for paid employment.

We urge the Commission to give attention to Section 3 of our paper in which we establish why a Federal Government, that has a monopoly over the issuance of fiat currency (money), is not subject to a Government Budget Constraint (GBC). The Commonwealth can create the quantum of JG jobs required by people with disability and the sky won’t fall in.

Future Research

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.

Young people with acute psychiatric disability and/or illness face both the general problem of accessing paid employment, and specific issues in accessing jobs which are flexible enough to accommodate their mental health and support needs. The fragmentation of early experiences in education and employment increase the risk of long-term welfare dependency. The very low employment rates for young people with psychosis reflect the interplay between “social and economic pressures which participants face, the labour market and social barriers to working”⁶.

Should the grant be awarded, the Project 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,

⁶ Marwaha, S. and Johnson, S. (2004) ‘Schizophrenia and Employment: A Review’, *Social Psychiatry and Psychiatric Epidemiology*, 39, 337-349.

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 psychiatric disability. 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 a federal, state and local level.

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

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

Kind regards,

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