



Centre of Full Employment and Equity

Working Paper No. 05-20

The Welfare to Work Package: Creating Risks for People with Mental Illness

Sally Cowling¹

November 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

1. Introduction

This paper serves as a companion piece to an earlier work by Bill, Cowling, Mitchell and Quirk (2004) titled *Creating Effective Employment Solutions for People with Psychiatric Disability*. In the 2004 paper we evaluated the effectiveness of existing disability employment policies, which are heavily focused on the supply side and aim to make individuals more employable or to restrict access to the Disability Support Pension (DSP). The poor performance of the existing policy framework established a case for a paradigm shift in employment policy for people with psychiatric disability or mental illness. We argued that effective employment solutions required the state to directly address deficient labour demand while building a more accessible personal support framework. Our alternative framework would see the Federal Government maintain a buffer stock of minimum wage public sector jobs that would be available to, and suitable for, the target group. The jobs would be designed to accommodate the needs of those with episodic illness, and be integrated with the medical, rehabilitation and support services that workers may require (Bill *et al.*, 2004).

We pick up the story with the Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005, hereafter the Welfare to Work Bill, which was introduced into the House of Representatives on 9 November 2005. Given a Government majority in the Senate it is likely that the Bill will pass into law with few, if any, amendments. The Welfare to Work Bill contains a number of measures, which aim to increase the participation of people with disability in open employment by changing the eligibility criteria for the Disability Support Pension. In exploring whether the Bill will deliver improved employment outcomes for people with mental illness, or exacerbate their vulnerability, the paper will be structured as follows. Section 2 details the changes to be wrought by the Welfare to Work Bill and the number of people with disability who will be affected. Section 3 presents a critique of the assessment process that will determine whether a new applicant for income support receives DSP or unemployment benefits, while Section 4 establishes the reductions in the disposable income that will be borne by individuals assessed as having a partial capacity to work who will move to the lower income support payments. Section 5 sets out changes in the compliance framework under the Welfare to Work Bill and the implicit risks this poses to people with episodic illness. Section 6 details the nature of the employment, rehabilitation and support services that will be available to affected individuals and the lack of resources being invested in specialist services for people with disability and direct job creation measures. Conclusions follow in Section 7.

2. The Welfare to Work Bill and changes to the Disability Support Pension

2.1 An overview of the proposed changes

The current test for Disability Support Pension (DSP) assesses an individual's capacity to work for 30 or more hours per week at award wages within two years, taking account of forms of mainstream training that may help the person to increase his or her work capacity. The Welfare to Work Bill will amend the Social Security Act 1991, so that from 1 July 2006 a person will only qualify for a DSP if they are assessed to be incapable of

working 15 or more hours per week at award wages within two years, or if working 15 or more hours per week requires ongoing or regular support (House of Representatives, 2005: Schedule 2). Importantly, the new DSP qualification criteria will not consider the employment opportunities available in an applicant's local labour market in determining the person's capacity to work. This will apply to applicants of all ages in order to ensure consistency in the assessment of work capacity for all people of working age. Under the current legislation, DSP eligibility for mature age persons can be partly determined on the basis of local labour market conditions (Department of Employment and Workplace Relations, 2005: CA 21).

As a consequence of these changes, people with disability assessed as having a 'partial capacity to work' - defined as a capacity to work between 15 and 29 hours per week without ongoing support in the open labour market - will no longer be eligible to claim DSP. They will instead be assessed for another form of income support, typically Newstart Allowance (NSA) or Youth Allowance (YA), and will be required to meet the participation (or work search) requirements associated with these payments.² People in receipt of DSP on 10 May 2005 will not be affected by changes to the DSP qualification criteria. However, people who qualify for DSP between 11 May 2005 and 30 June 2006 will remain under the 'old qualification rules' until such time as the person is given a notice to undertake an activity (such as a Comprehensive Work Capacity Assessment) in order to review the person's capacity to work. The 'new qualification rules' will apply from the date of the notice (House of Representatives, 2005: Schedule 2).

The Welfare to Work Bill also broadens the types of activities that Centrelink will take into account in determining what a person's work capacity will be in the next two years. The Bill replaces the current reference to education, vocational training or on-the-job training with a reference category called 'training activity'. In addition to the mainstream activities just described, this reference will now include pre-vocational training, vocational rehabilitation (including counselling and physical conditioning programs) and work-related training. It will include programs and activities specifically designed for people with physical, intellectual or psychiatric impairments (House of Representatives, 2005: Schedule 2, Items 3-8). In determining whether a person has a 'continuing inability to work' (and is thus eligible for DSP), the Department Secretary is not required to consider the actual availability to the person of a 'training activity' that would facilitate their return to work. Instead, the Secretary needs only to be satisfied that to participate in open employment the person is:

Unlikely to need a program of support to do the work;

- Likely to need a program of support but only occasionally; or
- Likely to need a program of support but not on an ongoing basis.

In addition, the Bill also provides the Secretary with greater discretion to direct what can or cannot be included as 'suitable' activities within a Newstart activity agreement, although it does not define criteria for 'suitable activities'. For individuals with episodic illness, including mental illness, these sections of the Bill serve to disqualify transition from Newstart Allowance to DSP during periods of ill health and to make the participation requirements that will apply during illness subject to the Secretary's interpretation of non-legislated guidelines. Under the proposed legislation, a person can

apply for a temporary exemption from participation requirements, or seek reduced activity test requirements, as long as their application is supported by documented evidence from a treating health professional. However, in the absence of an assessment, which determines that the individual has a 'continuing inability to work', he or she will remain on the lower Newstart Allowance with a reduced level of participation requirements designed to match current work capacity.

2.2 How many people will be affected?

In response to a question taken on notice at the 2005-06 Budget Senate Estimates Hearing, the Department of Employment and Workplace Relations (2005a) estimates that the number of people who would have been assessed as eligible for DSP under the current criteria, but who will instead receive Newstart Allowance (NSA) following changes to the rules will be 34,400 in 2006-07; 57,900 in 2007-08; and 75,700 in 2008-09. These estimates represent annual average impacts for the relevant year, and include people who will be granted DSP between 11 May 2005 and 30 June 2006 and who, after being assessed as having a work capacity of 15 to 29 hours per week, will move to NSA as a result of a review process.

While the Department did not disaggregate these estimates by type of disability, some indication of the number of people with a psychological or psychiatric disability likely to be affected by the rule changes can be derived from historical data. In the period spanning January 1, 2004 to December 31, 2004, 16,319 (or 22.7 per cent) of the 71,706 new claims for DSP were made by people with a psychological or psychiatric disability. Of these 1,297 (8 per cent) were assessed as having a work capacity of 15 to 29 hours per week without intervention (over a period of 6 to 24 months) while 2,251 (13.8 per cent) were assessed as having a weekly work capacity without intervention of 30 hours or more (Department of Employment and Workplace Relations, 2005f). This second group would have been ineligible for DSP under both the 'new' and 'old' rules. When assessors examined work capacity with mainstream interventions, the share of the sample assessed as being able to work between 15 and 29 hours per week rose to 8.3 per cent (Department of Employment and Workplace Relations, 2005f). As we discussed in Section 2.1, these mainstream interventions have been redefined in a broader classification called 'training activities' that the CWCA and Centrelink will take into account in determining what a person's work capacity will be in the next two years. This assessment will determine their eligibility for the Disability Support Pension.

It is important to note that the assessed work capacities of a large share of the relevant sample (17.7 per cent for assessment of work capacity with no intervention, and 33 per cent for assessment with mainstream interventions) were not coded in an hours band (Department of Employment and Workplace Relations, 2005f). It is thus likely that the number of persons assessed as having work capacity of between 15 and 29 hours per week is understated.

3. Comprehensive Work Capacity Assessment: A fraught foundation

The work capacity of individuals applying for the Disability Support Pension from 1 July 2006 will be assessed by a new Comprehensive Work Capacity Assessment (CWCA) service for which the Commonwealth Department of Human Services (DHS) will have

contractual responsibility (Department of Employment and Workplace Relations, 2005g: 39). Assessors will be required to determine medical impairment; work capacity and assistance needs; and will refer individuals to employment or related services such as the Job Network, Disability Open Employment Services, Vocational Rehabilitation Services or the Personal Support Program. Centrelink staff will be able to access CWCA assessment reports to inform income support decisions and activity test agreements, while relevant sections of the report will also be made to the service providers upon referral (Department of Human Services, 2005a).

The CWCA Request for Tender (RTF) raises a number of concerns about the position of the DHS to oversee contractual arrangements that will deliver consistent assessment outcomes and referrals that are appropriate for people with mental illness or other episodic conditions. A detailed discussion of the nature of these concerns follows.

3.1 Failure to learn from the Assessment and Contestability Trial

As part of the Government's welfare reform process, the Assessment and Contestability Trial for people with disability commenced in August 2000. The Trial tested a new approach to assessing the abilities, needs and capacity for work of people with disability, and examined the capacity of the private market to provide vocational rehabilitation services (Department of Family and Community Services, 2003: 5). The final external report for the Assessment and Contestability Trial Evaluation was based on data collected to 30 June 2002.

As we concluded in Bill, Cowling, Mitchell and Quirk (2004: 78):

The Report's analysis of the Trial's work capacity assessments is both curious and equivocal. The capacity of Trial participants to undertake work at award wages or above within a two year period without intervention, was appraised by FACS assessors, treating doctors (TDRs) and medical assessment service providers (MASPs). There were significant differences in these work capacity assessments.

With respect to trial participants with a primary disability type that was psychological or psychiatric in nature, 60 per cent of FACS and TDR work capacity assessments, and 69 per cent of FACS and MASP assessments, varied³ (Department of Family and Community Services, 2003: Tables D76 and D77). Some insight into the extent to which alternative groups of assessors may differ when determining whether a new DSP applicant has a partial capacity to work can also be gleaned from the Trial data. FACS assessors determined that 27.1 per cent of Trial participants had either limited and part-time (8 to 20 hours per week) or substantial (21 to 30 hours per week) capacity to work. By comparison, TDRs assessed 49.8 per cent - and MASPs assessed 24.4 per cent - of participants within these capacity categories (Department of Family and Community Services, 2003: Tables D71 and D73).

While acknowledging that the hours bands used to group Trial data does not allow a direct comparison of capacity assessment within the 15 to 29 hours per week range - that will be critical to assessment under the Welfare to Work Bill - it is important to note that the results from the Assessment and Contestability Trial have not prompted analysis of the disparate determinations made. Before calling for tenders for the CWCA service, it would seem important to explore whether there was systematic over-estimation or under-

estimation of work capacity (without intervention) by one or more assessing groups, and the reasons for such significant differences in assessment outcomes. The Request for Tender (Department of Human Services, 2005a) confirms that a mix of providers will be used to undertake assessments. It is estimated that 372,000 CWCA's will be undertaken in 2006-07, with approximately 80 per cent to be conducted by Australian Government service delivery agencies including Centrelink, the Commonwealth Rehabilitation Service (employers of FACS assessors) and Health Services Australia (employers of Medical Assessment Service Providers). The remaining 20 per cent of assessments are expected to be conducted by private providers.

Given the large quantum of assessments to be conducted, small errors will affect the income support outcomes and service referrals of a large number of people. The clear risk for new DSP applicants is that their eligibility will be determined more by the type of assessor who undertakes their CWCA, than by a consistent assessment process grounded in detailed and relevant research.

3.2 Non-prescription of assessment tools

The likelihood that different groups of assessment providers will make discordant capacity assessments is increased by the decision of the Department of Human Services not to prescribe an assessment tool. The Department argues that it is simply purchasing an outcome in the form of "high quality, comprehensive work capacity assessment" and will rely on the professional judgment of providers in "selecting appropriate tools based on the client's individual needs" (Department of Human Services, 2005a). For people applying for DSP due to psychological or psychiatric disability it seems premature to dispense with the Disability Pre-employment Instrument (DPI) and the Disability Maintenance Instrument (DMI), which were developed for use in the Case Based Funding Trial by the Department of Family and Community Services. From 1 January 2005 both the DPI and DMI have included a new domain to address concerns about whether the assessment instruments reflect the support needs of individuals with episodic or highly variable conditions. The DPI and DMI now ask whether support needs vary; the incidence and degree of any fluctuation; and whether the job seeker's condition is episodic or deteriorating (Department of Family and Community Services, 2004a and 2004b). By contrast, the Draft CWCA Assessment Report (Department of Human Services, 2005b) asks the assessor to determine whether the individual's medical conditions are permanent or temporary but does not request an assessment of whether the condition is episodic in nature and the extent to which capacity to work will vary during periods of illness.

3.3 Inappropriate assessments or referrals

The CWCA Request for Tender states that assessors will base referral decisions on client barriers and intervention needs and refer clients to the most appropriate employment service. It is then claimed that: "DHS Service Guidelines on eligibility for services and streaming hierarchy will be [author's emphasis] included in training for the CWCA Providers" (Department of Human Services, 2005a). However, in a later section of the same document dealing with the type, and frequency, of training to be offered to CWCA providers, the Department says only that it "envisages" providing some training and that

the “training strategy is still being developed”. The document makes explicit that the ongoing training and development of assessors is the responsibility of providers (Department of Human Services, 2005a).

In his appearance before the Senate Inquiry into the Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005, Dr Ken Baker from ACROD - the national peak body representing non-government disability service organisations - argued that a rapid and effective review system needed to be established to rectify inappropriate assessments or referrals without causing unnecessary harm to individuals or providers who have unfair expectations and income support entitlements imposed on them (Senate Community Affairs Committee, 2005a: CA44). Access to a review process will be particularly important for people with episodic or degenerative conditions who may be able to work at certain times, but at other times will have significantly reduced work capacity or will be unable to work at all. People with psychiatric disability or mental illness may also be reluctant to reveal the nature or extent of their condition in single, time-limited assessment process that may be inimical to building the trust required for full disclosure.

Neither the Welfare to Work Bill or the CWCA Request for Tender establishes a review or appeal process. Indeed the Department of Human Services (2005a) states that while clients will not routinely have access to their CWCA assessment report; employment service providers who believe a referral is inappropriate will be able to raise this with the assessor who will, in turn, be required to explain the reason for this referral. Where the parties are unable to resolve their dispute, the Department states only that concerns can be referred to the CWCA contract manager and that Service Guidelines will be developed to delineate provider responsibility when an allegation of inappropriate referral has been made.

3.4 Ignoring local labour market conditions

It will be difficult to determine whether the CWCA process provides more meaningful information on an individual’s capacity to work - thereby increasing economic and social participation - without reference to the state of the labour market. While assessments may be more effectual or robust, they will not lead to improved employment outcomes under conditions of demand deficiency.

In its written submission to the Senate Inquiry, ACROD (2005: 4) stresses that while the CWCA will not consider the conditions in a person’s local labour market in determining his or her capacity to work; that capacity is a function of the relationship between the individual’s disability and their social and economic environment. For example, people with mental illness may have reduced work capacity in short-term or insecure positions offering limited control over hours worked, and limited opportunity to build self-esteem, and in which employers may be unwilling to accommodate on-site assistance, rehabilitation, or modifications to work schedules (see Frost et al., 2002). ACROD notes that the International Classification of Functioning Disability and Health (ICF) recognises that capacity to work is, to a large extent, contextual and cannot be artificially separated from the particular environment in which a person must live and seek employment. For this reason, local labour market conditions (both the number, and type, of jobs available) should be considered in the determination of work capacity.

4. Counting the (financial) costs

In a report prepared for the National Foundation for Australian Women, the National Centre for Social and Economic Modelling (NATSEM) has completed detailed analysis of the impact of changes to the DSP eligibility criteria on the financial well being of those affected. In particular, it looks at the changes in disposable income and effective marginal tax rates⁴ for new DSP applicants assessed as being able to work between 15 and 29 hours a week at award wages. From 1 July 2006 this group will be placed on Newstart Allowance (NSA) or Youth Allowance (YA) rather than the Disability Support Pension. The modelling identifies significant economic losses even after offsetting measures included in the Bill are taken into account. These measures include an increase in the generosity of the income test applying to NSA and YA, and the extension of concessions and ancillary benefits (such as access to a Pensioner Concession Card, Pharmaceutical Allowance and Telephone Allowance) to people with a partial capacity to work receiving NSA or YA (House of Representatives, 2005: Schedule 7).

The deleterious financial impacts identified arise because a DSP recipient is paid more than a person with similar income and assets receiving NSA. NATSEM estimates that in 2006-07 a single DSP recipient aged over 20 years would receive, on average, \$46 per week more than a similar person receiving NSA (Harding et al., 2005: 2). In addition, the income test applying to NSA continues to have a much lower threshold level and higher taper rate than the DSP income test and, unlike NSA, DSP payments are tax exempt and DSP recipients are entitled to the Pensioner Education Supplement. One consequence of the more restrictive NSA income test is that people assessed as having 'partial capacity to work' will only be able to earn up to \$398 per week before their entitlement to part-rate income support is extinguished. The equivalent income level for DSP recipients is around \$706 per week. Thus the entitlement to the concessions and ancillary benefits mentioned in the previous paragraph will cease at a much lower level of private income for people affected by the changes to the DSP eligibility criteria (Harding et al., 2005: 3-4).

NATSEM concludes that the net impact of the changes set out in the Welfare to Work Bill will be to significantly reduce the disposable income of people with disability who have a partial capacity to work, over a wide range of private income.⁵ Losses range from \$46 per week for persons earning no private income up to \$120 per week for those earning private income of \$393 per week (Harding et al., 2005: Table 2). The changes also serve to sharply increase the effective marginal tax rate (EMTR) facing affected workers over a relatively wide range of earned income. Single people with disabilities earning between \$31 and \$64 per week will face an EMTR of 65 per cent under the new system, compared with a zero EMTR under the current system. That is, for each additional dollar earned within this band, the person will keep only 35 cents under the new system as opposed to 100 cents at the present time (Harding et al., 2005: Table 2). The EMTR does not take account of increased costs that may be associated with participation in paid work such as expenditure on travel or uniforms. For people with mental illness, who lose access to the Health Concession Card and Pharmaceutical Allowance at a much lower level of earned income, the costs associated with managing their illness may also rise significantly.

The NATSEM analysis differs from the financial benefits claimed for the package in a submission to the Senate Inquiry prepared by the Department of Employment and

Workplace Relations (DEWR). DEWR compares the weekly disposable income of a single person receiving DSP with no hours of paid work with that of a single person receiving NSA and undertaking 15 hours of paid work at the 2005 Safety Net Wage of \$12.75 per hour. Unlike NATSEM's evaluation, the estimates presented do not capture the effect of the changed eligibility criteria on disposable income. This requires a comparison of the disposable income of persons undertaking the same hours of paid work where one person receives income support in the form of DSP and the other receives NSA. The DEWR analysis (Senate Community Affairs Committee, 2005a: Table 5) compares an apple with an orange and implies that, in the absence of the Welfare to Work measures, people who under the current system would be eligible for DSP would not engage in paid work until they are moved to NSA and are subject to participation requirements. This begs the question of why additional places in employment services, training and rehabilitation programs - along with changes to funding arrangements - should be expected to generate improved employment outcomes for people with disability in an "economy that has failed to generate an adequate supply of jobs paying a living wage" (Borland, Gregory and Sheehan, 2001: 20).

The Welfare to Work Bill introduces a new compliance framework, which will apply from 1 July 2006. New DSP applicants placed on Newstart or Youth Allowance, as a result of changes to the DSP eligibility criteria, will now be required to meet participation requirements in order to keep receiving their payment and be subject to penalties for non-compliance. Research conducted by the Australian Council of Social Service and the National Welfare Rights Centre suggests that among those most affected by such penalties are people with mental illness and/or drug and alcohol related problems (Abello and Chalmers, 2002: 3).

It is important to acknowledge that some elements of the compliance framework represent an improvement on the current breaching regime. In particular, if a job seeker fails to meet a participation requirement - such as missing an interview with an employment service provider - they can generally avoid a financial penalty by quickly re-engaging with their provider or program. However, 'quick re-engagement' may not be possible for persons experiencing an episode of acute ill health. A job seeker who persists in their non-compliance will have their payment withdrawn until they do comply and an eight week non-payment period will be retained as a "deterrent to more serious failures" including repeated participation failures (three or more in a twelve month period); refusal of a suitable job offer; voluntarily leaving a suitable job; and purposely being dismissed from a suitable job due to misconduct (House of Representatives, 2005: 71).

The eight week non-payment period is of particular concern to people with mental illness who may be forced to stay in a 'suitable job' until they experience an acute episode or relapse, rather than risk benefit suspension by withdrawing from work when symptoms first appear. Non-payment also increases the likelihood that individuals will be unable to afford medications or other treatment essential to the management of their illness.

The Department of Employment and Workplace Relations (2005g: 30) argues that the compliance framework will include a number of safeguards to protect vulnerable individuals from being inappropriately penalised under the new arrangements. In his appearance before the Senate Inquiry, the Department's Deputy Secretary for Workforce Participation stated that flagging people who are deemed to be vulnerable on the

Centrelink system is designed to protect individuals with episodic conditions who may be unable to meet participation requirements or respond to follow-up contacts. However, the Deputy Secretary also acknowledged that the groups to be covered by the safeguards, and what constitutes a 'reasonable excuse' for non-participation, were yet to be defined and would not be defined in the legislation (Senate Community Affairs Committee, 2005b: CA9)

In addition, evidence presented to the Senate Inquiry by National Welfare Rights (Senate Community Affairs Committee, 2005a: CA41) expressed concern about the speed with which individuals who had not previously been subject to compliance rules could accumulate participation failures. Individuals may accumulate a number of failures within each fortnight payment period. It is thus possible for an individual to have their payment suspended for an eight-week period within four weeks of being assessed for an activity-tested benefit. National Welfare Rights presented a strong argument for a more benevolent approach to participation failures recorded in the transition period, and marked out the inconsistency between the participation objectives said to underpin the Welfare to Work Bill and the economic and social exclusion that will result from payment suspension.

6. Welfare to where?

In Section 2.2 we referred to Department of Employment and Workplace Relations (DEWR) data, which estimates the number of people who would currently qualify for DSP but will shift to full or part-rate Newstart Allowance (NSA) over the three financial years from 2006-07. DEWR estimates that an additional 34,400 people in 2006-07; 23,500 in 2007-08; and 17,800 in 2008-09 will qualify for NSA as the result of the change to DSP eligibility criteria. The annual average impact of the policy change in 2008-09 will thus be to increase the number of NSA recipients by 75,700 (Department of Employment and Workplace Relations, 2005a). In this Section we will examine the number and type of program places provided to support these individuals in the Welfare to Work package, and the extent to which providers have expertise in assisting people with disability.

In response to a question taken on notice at the 2005-06 Budget Senate Estimates Hearing, DEWR provided estimates of the number of funded places for people with disabilities making new applications for income support, who will receive Newstart or Youth Allowance as a result of being assessed as able to work 15-29 hours per week. While places available to this cohort in Disability Open Employment Services, Vocational Rehabilitation, Job Network and Work for the Dole are not capped - that is, they are available on a demand driven basis according to referrals made through the Comprehensive Work Capacity Assessment - DEWR states that the number of program places detailed in Table 1 are estimated to meet demand.

The estimated program places set out in Table 1 raise public policy concerns on two fronts. First, the Department has forecast that while 75,700 income support applicants will be affected by the changes to the DSP eligibility criteria, just 61,547 places in key employment and rehabilitation services will be required to meet demand. It is important to note that one individual may be placed in a number of programs over the three year period while some individuals will have access to a small number of additional places

funded in the Job Placement Employment and Training (JPET) program for young people aged 15 to 21 years, or in the larger Personal Support Program (PSP). Additional places in the Community Development Employment Project (CDEP) Program will be available to indigenous people with disabilities assessed as having partial capacity to work.⁶

Table 1 Funded program places for people with disabilities having partial capacity to work

Service:	Estimated Number of Places			
	2006-07	2007-08	2008-09	3-Yr Total
Disability Open Employment	5,980	2,803	2,803	11,586
Vocational Rehabilitation	8,970	4,205	4,205	17,379
Work for the Dole	135	373	345	853
Job Network	16,377	7,676	7,676	31,729
Total	31,462	15,057	15,029	61,547

Source: Department of Employment and Workplace Relations (2005d).

For people with mental illness affected by the Welfare to Work changes, an important caveat applies with respect to the Personal Support Program which remains capped. The CWCA Request for Tender notes that while assessors should refer job seekers to the most appropriate service, referrals to capped programs are likely to be to a waiting list. The PSP is an important form of assistance for individuals experiencing non-vocational barriers to work such as mental health issues and/or substance use disorders. Centrelink data for November 2005 shows 11,000 people on the PSP waiting list and identified mental health problems as the most prevalent barrier to work for PSP participants, affecting 45 per cent of the current cohort (Senate Employment, Workplace Relations and Education Committee, 2005). While DHS (2005a) state that Service Guidelines under the CWCA contract will provide guidance on referral protocols, and that the existence of waiting lists should not deter referrals, these Guidelines are yet to be developed and will not be considered by the Parliament prior to the vote on the Welfare to Work Bill.

The second concern arising from Table 1 regards the extent to which the Department believes that demand for program support can be met from generic services as opposed to services which specialise in assisting people with disabilities. Just 26.7 per cent of the additional places in employment services (excluding vocational rehabilitation) over the three years have been allocated to Disability Open Employment Services (DOES), with the remaining 73.3 per cent of places allocated to the Job Network. DOES provide specialist employment assistance for people with disability to prepare for, find and retain a job within the open labour market. These specialist services have a much greater capacity to provide ongoing support in the workplace than do Job Network providers. DOES provide assistance for job seekers for up to two years with a minimum of 6 months support after placement in paid work (Department of Employment and Workplace Relations, 2005g: 41). The specialised nature of ongoing support assumes greater importance given DEWR's estimate that just 20,000 (26 per cent) of people with disability affected by the Welfare to Work Bill will secure some form of paid employment in the three years to 2008-09 and that just \$4.27 million has been allocated

to demand-led strategies to increase employment for workers with disability, while strategies to increase employment for workers with a mental health issue receive a mere \$250,000 in 2006-07.

As discussed in Section 3, it is not clear how the Comprehensive Work Capacity Assessment will determine which individuals will be referred to DOES and which to the Job Network. Nor does the Explanatory Memorandum accompanying the Welfare to Work Bill detail if, and how, Job Network providers and their staff will be trained and/or accredited to assist individuals with disabilities or mental illness. Of the 2,540 current Job Network providers, just 26 are designated as specialist Job Network services for people with disability and only three of these are outside capital cities. There are just three specialist Job Network services for people with mental health issues; one each in Sydney, Melbourne and Brisbane (Department of Employment and Workplace Relations, 2005h).

In their evaluation of the Job Network, Cowling and Mitchell (2003: Section 5) discussed how job seekers with the greater chance of achieving payable outcomes were targeted while those in greatest need of assistance (with low employment probabilities) received little support. Studies by the Productivity Commission (2002) and OECD (2001) confirmed that the Job Network performed poorly in handling clients with complex needs, including people with disability. To compound matters, the 2005-06 Federal Budget announced that the points required under the Job Seeker Classification Instrument for an individual to be classified as 'highly disadvantaged' will rise from 23 to 25. This will reduce the number of people eligible for the higher level of assistance - and Job Seeker Account funding - available through the Intensive Support Customised Assistance (ICSA) band within the Job Network.

The projected distribution of places between generic and specialist employment services in the Welfare to Work package suggests that a share of people with disability and/or mental illness will not receive the specialist assistance and understanding they require. Individuals requiring specialist services in regional and rural areas will be particularly vulnerable. What the Welfare to Work changes aimed at increasing participation of people with disability unambiguously provide are savings to Government. Over the financial years 2006-07, 2007-08 and 2008-09, the estimated cost of providing income support to people with disability assessed as having a partial capacity to work will fall by \$590.5 million. This is principally, the result of moving people who would be eligible for DSP under current rules to the lower Newstart and Youth Allowance payments. By contrast, the estimated cost of changes to employment and rehabilitation programs designed to assist those affected by the reforms to find and maintain employment is \$302.3 million, while the estimated departmental cost of administering those elements of the Welfare to Work package targeted to people with disability is \$79 million over the three years (Department of Employment and Workplace Relations, 2005e). We argue that if the Department would like more than one in five of the affected individuals to find some paid work over the three-year period, it needs to make a significant investment in creating jobs that meet the work and health needs of its target group.

7. Conclusion

There have been recurrent national debates centred on the need to reduce the level of joblessness among people with mental illness, and the policy mechanisms most likely to

achieve this goal. In a 2004 paper, Bill, Cowling, Mitchell and Quirk established the limited employment outcomes that have emerged from contemporary strategies to increase the economic and social participation of people with disability. These strategies have been configured largely on the supply side and aim to make individuals more 'employable' and/or slow the growth in the number of people receiving the Disability Support Pension by tightening eligibility criteria (2004: 76).

The changes proposed in the Welfare to Work Bill simply hasten the march along a policy direction that has been shown to be ineffective. The Bill does nothing to address the critical shortage of flexible job opportunities for people with mental illness and rebuffs a substantial body of international evidence, which demonstrates the effectiveness of supported employment models in improving participation outcomes for persons with severe mental illness (Bond et al., 2001: 314-15). The supported employment model requires that measures to increase the quantum of jobs available are integrated with mental health, rehabilitation and employment support services that meet the heterogeneous and variable support needs of workers.

It is important to stress that even in circumstances where (a) the individual has a 'partial capacity' for productive work, and (b) there is a shortage of workers, persons who experience ongoing mental health difficulties or episodic bouts of mental illness may have great difficulty in finding a flexible work environment that is tolerant of, and adaptable to, their health and support needs (Bill, Cowling, Mitchell and Quirk, 2004: 82). By failing to include policy measures that attend to the shortage of suitable job opportunities, the Welfare to Work package exposes people with mental illness to a range of risks. These risks relate to the effects of inappropriate assessment and referral, reduced disposable income, harsh compliance measures and the lack of specialist skills and training in generic employment services.

In our 2004 paper, we advocated the introduction of a Job Guarantee for people with disability. Under this model, individuals would be provided with a minimum wage job in the public sector that could be undertaken on a part-time or block basis to accommodate access to services that support a person's health, rehabilitation and other care needs. The Job Guarantee model recognises that an effective and evidence-based employment model for people with poor mental health and/or psychiatric disability must integrate services in a way that provides access to both paid work and quality care.

The Department of Employment and Workplace Relations argues that the Welfare to Work Bill represents a "cost effective integrated service delivery model" (2005g: 12). However, its failure to include job creation measures - and to address long-standing problems with the design of assessment procedures and coordination of essential support services - in the reform package means we are left with a policy framework that will heighten the vulnerability of some of our most disadvantaged citizens. In its current guise, the Welfare to Work measures are more accurately described as policy on the cheap that cannot deliver on participation objectives.

References

Abello, D. and Chalmers, J. (2002) 'Disabling Employment Policy', *Drawing Board Symposium: 2002-03 Federal Budget*, University of Sydney, June.

ACROD (2005) *Submission to the Senate Community Affairs Legislation Committee Inquiry into the Welfare to Work Bill*, National Industry Association for Disability Services, November.

Bill, A., Cowling, S., Mitchell, W.F. and Quirk, V. (2004) 'Creating Effective Employment Opportunities for People with Psychiatric Disability' in Carlson, E. (ed.) *A Future that Works: Economics, Employment and the Environment. Refereed Proceedings of the 11th National Conference on Unemployment*, Centre of Full Employment and Equity, December, 74-83.

Bond, G.R., Becker, D.R., Drake, R.E., Rapp, C.A., Meisler, N., Lehman, A.F., Bell, M.D. and Blyler, C.R. (2001) 'Implementing Supported Employment as an Evidence-Based Practice', *Psychiatric Services*, 52(3), 313-22, March.

Borland, J., Gregory, R.G. and Sheehan, P. (2001) *Work Rich : Work Poor - Inequality and Economic Change in Australia*, CSES, Victoria University, Melbourne.

Cowling, S. and Mitchell, W.F. (2003) 'False Promise or False Premise? Evaluating the Job Network', *Australian Journal of Labour Economics*, 6(2), 203-22, June.

Department of Employment and Workplace Relations (2005a) Answer to Question on Notice W016-06, 2005-06 Budget Senate Estimates Hearing, Senate Employment, Workplace Relations and Education Legislation Committee, May. Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005

Department of Employment and Workplace Relations (2005b) Answer to Question on Notice W019-06 (Amended), 2005-06 Budget Senate Estimates Hearing, Senate Employment, Workplace Relations and Education Legislation Committee, May.

Department of Employment and Workplace Relations (2005b) Answer to Question on Notice W027-06, 2005-06 Budget Senate Estimates Hearing, Senate Employment, Workplace Relations and Education Legislation Committee, May.

Department of Employment and Workplace Relations (2005d) Answer to Question on Notice W144-06, 2005-06 Budget Senate Estimates Hearing, Senate Employment, Workplace Relations and Education Legislation Committee, May.

Department of Employment and Workplace Relations (2005e) Answer to Question on Notice W156-06, 2005-06 Budget Senate Estimates Hearing, Senate Employment, Workplace Relations and Education Legislation Committee, May.

Department of Employment and Workplace Relations (2005f) Answer to Question on Notice W240-05, 2004-05 Additional Senate Estimates Hearing, Senate Employment, Workplace Relations and Education Legislation Committee, February.

Department of Employment and Workplace Relations (2005g) Submission to Senate Community Affairs Legislation Committee Inquiry into Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005, Submission 47, Canberra, November.

Department of Employment and Workplace Relations (2005h) List of Specialist Job Network Services, Canberra, June. Available at: http://jobsearch.gov.au/JNS/jns_ia_specialist.aspx

Department of Family and Community Services (2004a) DMI - What's New, What's Different, Canberra, June. Available at: www.FACS.gov.au/internet/FACSIinternet.nsf/disabilities/services-dmi_dpi_guidelines.htm

Department of Family and Community Services (2004b) DPI - What's New, What's Different, Canberra, June. Available at: www.FACS.gov.au/internet/FACSIinternet.nsf/disabilities/services-dmi_dpi_guidelines.htm

Department of Family and Community Services (2003) *The Assessment and Contestability Trial - Evaluation Report*, Canberra, February.

Department of Human Services (2005a) Comprehensive Work Capacity Assessment (CWCA) Request for Tender - Frequently Asked Questions, Canberra, November. Available at: http://www.humanservices.gov.au/modules/resources/publications/faq/cwca_faqs_v3_8.pdf

Department of Human Services (2005b) Draft Comprehensive Work Capacity Assessment Report, Canberra, November. Available at: http://www.humanservices.gov.au/modules/resources/cwca/dhs_draft_cwca_assessment_report.pdf

Frost, B., Carr, V. and Halpin, S. (2002) 'Employment and Psychosis', *Low Prevalence Disorder Component of the National Survey of Mental Health and Wellbeing Bulletin 3*, National Mental Health Strategy, October.

Harding, A., Vu, Q.N. and Percival, R. (2005) 'The Distributional Impact of the Welfare-to-Work Reforms Upon Australians with Disabilities', *Report to the National Foundation for Australian Women*, National Centre for Social and Economic Modelling, September.

House of Representatives (2005) 'Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005', Explanatory Memorandum, The Parliament of the Commonwealth of Australia, November.

Organisation for Economic Cooperation and Development (2001) *Innovations in Labour Market Policies: The Australian Way*, OECD, Paris.

Productivity Commission (2002) *Independent Review of the Job Network*, Inquiry Report, Report No. 21, Canberra, June.

Senate Community Affairs Legislation Committee (2005a) Transcript of Inquiry into Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005, Proof Committee Hansard, November 21, Canberra.

Senate Community Affairs Legislation Committee (2005b) Transcript of Inquiry into Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005, Proof Committee Hansard, November 23, Canberra.

Senate Community Affairs Legislation Committee (2005c) Inquiry into Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005, Answer to Question on Notice, November 23, Canberra.

Senate Employment, Workplace Relations and Education Legislation Committee (2005) Transcript of Supplementary Budget Estimates 2005-06, Proof Committee Hansard, November 3, Canberra.

¹ The author is a Research Officer at the Centre of Full Employment and Equity, University of Newcastle, Australia.

² A person with disability, assessed as having a partial work capacity, who is in receipt of Newstart Allowance will be required to work part time; and/or look for part-time work; and/or participate in a recommended program of vocational assistance (DEWR, 2005b).

³ Results exclude work capacity assessment determinations classified as “variable” or “unable to answer” (by assessors from the Department of Family and Community Services) or “unknown” by Treating Doctors or Medical Assessment Service Providers (Department of Family and Community Services, 2003: Appendix D).

⁴ The Effective Marginal Tax Rate (EMTR) is the proportion of a one dollar increase in earned income that is lost to income tax, various tax allowances and rebates, and the application of income tests on government cash transfers.

⁵ NATSEM argues that the relative losses for people with disability placed on Newstart Allowance (NSA) rather than Disability Support Pension (DSP) will rise in the out years. This is because while DSP is indexed to movements in average weekly earnings, NSA is indexed to movements in the Consumer Price Index, which tends to increase more slowly (Harding *et al.*, 2005: 10).

⁶ The Department of Employment and Workplace Relations (DEWR, 2005d) has not specified the additional number of places that will be funded in the PSP, JPET or CDEP programs to cater for increasing participation of people with disability arising from the Welfare to Work Bill. However, DEWR estimates that over the financial years 2006-07 to 2008-09, the estimated program costs will increase by \$15.4 million for PSP, \$300,000 for JPET and \$13.1 million for CDEP.