



National Disability Services

Response to the Interim Report 'A New System for Better Employment and Social Outcomes'

The employment participation of Australians with disability is low and static. The latest national survey reveals that only 54% per cent of people with disability aged 15–64 years participate in the labour force, compared to 79% of people without disability. For people with severe or profound disability the situation is even worse, with only 28% in the labour force.¹ These figures have remained static since 1993 during a period of significant jobs growth. The interim report on welfare reform notes that the unemployment rate of people of working age with disability is currently 9.4% compared with 4.9% for people without disability.

There are social and economic imperatives to increase the employment rate of people with disability. Low disability employment contributes to fiscal pressure, poverty and social exclusion. Population ageing is increasing the demand for aged care and health services, at the same time as the number of people of working age for each person aged 65 is shrinking and—if current trends continue—is projected to almost halve by 2050 (from 5 to 2.7).² Increasing the workforce participation of people with disability is a key strategy to reduce this long-term fiscal pressure, as well as to reduce the comparatively high poverty rate among Australians with disability.³

Increasing the employment participation of people with disability and carers is also fundamental to the financial sustainability of the National Disability Insurance Scheme (NDIS). The Productivity Commission anticipates that "the proposed NDIS will generate profound economic benefits." A key source of these benefits is "increased economic participation for people with disabilities (against a background of Australia's low performance in this area compared with most other developed countries) and their informal carers."⁴

NDS therefore welcomes the welfare reform interim report's strong focus on employment and on improving pathways into employment. The interim report proposes that reform be built around four pillars—a simpler and sustainable income support system; strengthening individual and family capability; engaging with employers; and building community capacity. This structured approach has merit, but care must be taken to get the combination of interventions right.

¹ ABS 4446.0 – *Disability, Australia, 2009*, published May 2011

² Federal Treasury 2010, *Australia to 2050: Future Challenges*, p.4.

³ Saunders P, *The costs of disability and the incidence of poverty*, August 2006.

⁴ Productivity Commission, *Disability Care and Support*, July 2011 Overview and Recommendations pp 54-55.

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To be effective, policy solutions require clarity about the goal. Government's goal should be to increase employment for people with disability. If disability employment is lifted, dependence on the Disability Support Pension (DSP) will fall as a consequence. If reducing the DSP population is identified as the primary goal, it could be achieved by diverting DSP claimants to another payment (such as the current Newstart Allowance): this would not be progress.

Welfare-to-work policy must recognise the heterogeneity of the DSP population. DSP recipients differ markedly according to their disability type, functional capacity, work history and age. Different disabilities often require different patterns and strategies of support. A blind job seeker, for example, may need intensive investment during workplace familiarisation and adaptation, but much less support once established in a job. A person with mental illness may require irregular but at times intensive intervention.

The diversity of the DSP population points to the value of individualised approaches. Reform of the welfare system could draw beneficially from the principles of the NDIS. In particular, the NDIS constructs a personalised plan for each eligible participant, which seeks to maximise their social and economic engagement. In addition, reflecting an insurance principle, the NDIS takes a long-term approach to building an individual's capacity and measuring the costs and benefits of interventions. Where there is evidence of benefits over the long-term, the NDIS will invest in interventions even if they are expensive in the short-term. The economic benefits of developing a more individualised approach to assisting people with disability and basing investment decisions on the long-term costs and benefits should be considered.

The diversity of the DSP population would also justify increasing the flexibility available to employment service providers (fewer prescriptive rules and flexibility in the structure of funding). It also underlines the value of expanding the range of disability employment support options, from Australian Disability Enterprises (ADEs) and social enterprises that employ people with disability directly to Disability Employment Services (DES—both specialist and generalist) that support people with disability to find, prepare for and maintain open employment.

There are four key links in the welfare-to-work chain, each of which needs to be strong if better employment (and social) outcomes are to be achieved for people with disability:

- the interaction of income support and wages must create incentives to work (while not driving more people with disability into poverty);
- disability employment services—open and supported—must be effective, viable and accessible;
- employment pathways must be readily available and easy to navigate; and
- employers and purchasers must be responsive.

Reform of Australia's welfare system must address each of these links.

NDS welcomes the interim report on welfare reform and focuses its comments on the reform proposals that have direct relevance to people with disability.

Pillar one: Simpler and sustainable income support scheme

The architecture of Australia's Income support system is complex, with a plethora of income support and supplementary payments, reflecting ad hoc development over decades. The large number of different payments does allow assistance to be targeted to defined groups, but has the disadvantage of complexity for administrators and income-support recipients.

Simplicity alone should not drive reform of the structure of payments. Australia needs an income support system that is coherent, equitable and integral to a broader framework designed to assist people who can work to be employed. Payments for people with disability (assessed as having no or partial capacity to work) should be sufficient to cover their reasonable daily living expenses and participation in community life.

NDS's view of a simplified structure of disability payments would depend on the details of the structure and levels of payment. In the absence of detail, NDS makes the following observations.

Four primary payment types

Two of the proposed four primary payments are of interest to NDS—the DSP (with eligibility restricted to people with a permanent impairment and assessed as having no capacity to work) and the tiered working age payment.

The current definition of 'no work capacity', as NDS understands it, is that a person's disability prevents them being able to work for eight hours or more per week at award wages without formal support. This definition should be retained.

There are currently around 32,000 people with significant disability who work in supported or open employment at eight hours or more a week – but they are only able to do so *with formal support from an employment service*.

If DSP is reserved for people with a permanent impairment and no capacity to work, it must not be interpreted as meaning that no one on DSP can work.

The concept of 'no work capacity' is contestable. Some people with disability cannot work; but capacity to work can depend significantly on the support, training and assistance available to a person with disability, and on the willingness of employers to make workplace adjustments. Low social expectations about the employability of people with disability are a significant barrier to employment. Establishing a payment for people with 'no work capacity' risks reinforcing this barrier for people on DSP.

Any DSP recipient who has employment aspirations should be actively encouraged and supported to pursue them. They should have access to disability employment services and ongoing employment support. Pursuing this employment objective should not affect their eligibility for DSP (unless they earn wages in excess of the maximum income allowed).

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NDS would need to know additional details before it could make an informed assessment of the proposed tiered working age payment. As people with disability experience significant disadvantage and often higher costs of living, such a payment would need to be carefully structured to avoid making their lives more difficult. If a working age payment is introduced, NDS believes all people with disability and a partial capacity to work (between 8 and 29 hours per week) should be on the highest payment rate in recognition of the barriers they face in finding work (they are likely to be on the payment for a greater length of time) and the costs associated with their disability and seeking work.

NDS would be very concerned if welfare reforms resulted in more people with disability experiencing financial hardship.

The interim report suggests that "requirements, services and other supports could be individualised to each recipient's circumstances". Implemented well, this approach would have merit. People with disability could receive an adequate level of income (taking account of their higher costs of living and participation) and their employment support could be individually tailored to meet their needs. Increased flexibility in how employment support is provided would be beneficial but would require the Government to change how disability employment services were structured and funded. The highly prescriptive nature of Disability Employment Services' contracts would need to be fundamentally revised, and the interfaces and pathways between supported and open employment services would need to be more fluid.

Adjusting payments

In the 2014-15 Budget, the Government announced its intention to phase in changes to how payments are indexed: the indexation rate for pensions will be aligned with the Consumer Price Index from 2017.

Gradually over many years, the application of different indexation rates to pensions and allowances has expanded the gap between the payments substantially (the Newstart Allowance is now less than two-thirds of the DSP). While a higher payment for DSP is justified in terms of the cost that disability often imposes on people, the size of the gap creates an incentive for people to seek eligibility for DSP - and the low rate of the Newstart Allowance places enormous financial pressure on recipients of that payment.

While changing the pension indexation rate will reduce the rate at which the gap between DSP and Newstart Allowance grows, NDS is concerned that over time it will erode the relative purchasing power of people on DSP. People with disability are greatly over-represented among Australia's poor and many spend many years on DSP. Reducing the indexation rate of the DSP will exacerbate poverty over time.

Mobility Allowance

The Mobility Allowance provides critical financial support to assist people with disability travel to work. This Allowance should remain.

There are two rates of Mobility Allowance. Unfairly, supported employees in Australian Disability Enterprises (over half of whom receive Mobility Allowance to assist them to travel to work) are ineligible for the higher rate because they don't

work in open employment. On the grounds of need, supported employees should qualify for the higher rate. As a matter of fairness, all employees with disability should qualify for a single rate of Mobility Allowance set at the higher rate.

Rent Assistance

The acute shortage of affordable housing is a large social problem in Australia. Many working age people on pensions or allowances are in the rental market where rents have been rising faster than incomes. Rent, for either private dwellings or social housing, is the largest single item of expenditure for these households.

The most common measure of assessing housing affordability is the '30/40' rule: if a household in the lowest 40 per cent of income distribution pays more than 30 per cent of its gross income on housing costs it is deemed to be in housing stress. In Australia over 720,000 households are in this situation; and 460,000 of these spend more than 50 per cent.⁵ The National Housing Supply Council estimated that in 2010 there was a shortage of 493,000 rental properties that were affordable and available to Australian households with incomes in the lowest two quintiles.⁶ Unsurprisingly, demand for social housing is high: there are 225,000 people on social housing waiting lists in Australia.⁷

People living in social housing generally pay a proportion of their income as rent (typically 25 per cent); lower income people in private rental may receive Rent Assistance from the Australian Government. Rent Assistance is paid at a flat rate regardless of area and despite wide variations in median rents between states, regions, capital cities and even within cities. And as the Interim report notes, its value has not kept pace with private rental increases.

The interim report states:

Stable housing is essential to support employment and wellbeing. Housing fundamentally enables participation through access to shelter and security. Affordable housing with easy access to jobs and services is essential to allow people to participate socially and economically in society. Importantly it provides a stable base for raising children and supports community engagement.⁸

It suggests that consideration be given to moving from income-based rents to the use of Rent Assistance as the preferred rent subsidy scheme across both private and public tenures.

At present, NDS does not support this approach as it would not address the underlying problem, which is a shortage of supply. Simply moving social housing tenants to market rents (even with an increase in Rent Assistance) will increase financial pressures on people and will not stimulate the creation of affordable and

⁵ Phillips, Ben (2011) "The Great Australian Dream - Just a Dream?" In AMP-NATSEM Income and Wealth Report, Issue 29, AMP, Sydney

⁶ National Housing Supply Council (2011) "State of Supply Report" Commonwealth Government, Canberra

⁷ Steering Committee for the Review of Government Services (2013: Tables 16.A5, 16.A6 and 16.A7) "Report on Government Services 2013" Productivity Commission, Canberra

⁸ Interim report, p30.

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available rental properties. People with disability living in social housing will be significantly disadvantaged.

In light of the increased demand for affordable housing that will be generated by the NDIS, NDS urges the Government to consider mechanisms to stimulate affordable housing developments that are accessible to people with disability.

Rewards for work and targeting assistance to need

While NDS supports means testing for most pensions and allowances, the current taper rate for DSP - which was lifted in 2009 from 40 cents to 50 cents - weakens the incentive to seek work. It is notable that fewer than 10% of DSP recipients gain any income from paid employment.

Furthermore, a person with disability on Newstart Allowance (with partial work capacity) who undertakes part-time work will experience a larger payment reduction than someone on DSP because the withdrawal threshold is lower.

NDS recommends that the taper rate for people with disability on income support be reduced to 40 cents for every dollar earned above the threshold and that the DSP threshold be extended to include people on Newstart Allowance with partial work capacity. This would reduce the disincentives that people with disability face as they enter the workforce (and acknowledge the significant barriers and costs they face in finding and maintaining work).

Pillar two: Strengthening individual and family capability

Employment obligations

NDS believes that it is reasonable that a person who can work should be expected to seek work, as long as the expectation takes into full account the person's capacity and circumstances. There is a risk, however, that when this principle is translated into rules, sensitivity to capacity and circumstances will be dulled or lost.

NDS is pleased to note the suggestion in the interim report that a more individualised approach to employment obligations could be considered. This could mean "a person's capacity is assessed and requirements are tailored to their particular circumstance" and "as local service providers better understand local circumstances and job seeker characteristics, there may be scope for providers to set requirements and consider exemptions". This individualised approach would align with the intention of the National Disability Insurance Scheme to support the social and economic participation of people with disability.

From 1 July 2014, the Government intends to review DSP recipients under age 35 (who have come onto DSP since 2008) against the revised Impairment Tables (introduced in January 2012) and apply new, more stringent Program of Support (POS) requirements.

The POS requirements mean that from 1 July 2014, DSP recipients with an assessed work capacity of greater than eight hours a week must undertake at least one job-search activity. Activities could include participation in Australian Government funded

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disability employment programs or Job Services Australia. DSP recipients with a manifest condition, or whose work capacity is assessed at less than eight hours a week, are excluded from this activity test.

While these Budget measures entail increased expenditure on employment services (as more people engage with them), the measures focus on only one end of the welfare-to-work path. To deliver genuine employment outcomes for people with disability, greater investment and policy development are needed to stimulate employer demand for workers with disability and for goods and services produced by ADEs.

Education and training

More than 150,000 students with disability attended Australian schools in 2010⁹. Almost two-thirds of these children experience some difficulty at school—most commonly, fitting in socially and communication and learning difficulties¹⁰.

A 2009 report, 'Shut out: The experience of people with disabilities and their families in Australia', describes the social isolation experienced by many people with disability. It refers to the education experience of too many people with disability as "the wasted years" and reports that almost 30% of submissions made to its national consultation indicated that "far from ensuring young people with disabilities have every opportunity to realise their potential, the education system acts as a barrier to greater achievement and independence in their lives"¹¹.

As a signatory to the United Nations Convention on the Rights of Persons with Disabilities (UNCRPD)¹², Australia is committed to improving the educational experiences of people with disability. One of the six priorities of the National Disability Strategy—endorsed by COAG in 2010 and designed to help Australia meet its obligations under the UNCRPD—is 'Learning and skills'. Under this priority, the Strategy notes:

At present there remains a significant gap between students with disability and those without, notably in the attainment of year 12 or equivalent, vocational education and training qualifications, and particularly in university studies. Targeted support is needed to assist people who are disadvantaged in education and in the workforce, but mainstream education programs need to be designed for people of all abilities.¹³

There is evidence that a formalised employment preparation program (that includes structured and real work experience opportunities) helps young people with disability to find sustainable employment.

Exposure to the world of work before leaving school helps young people to appreciate the challenges posed in the post-school environment. It allows them to develop a sense of responsibility and independence, and is more likely to lead to

9 AIHW 2011, 'Australia's Welfare 2011', AIHW, Canberra, p. 154.

10 AIHW 2006, 'Bulletin 42: Disability updates: children with disabilities', AIHW, Canberra.

11 National People with Disabilities and Carer Council 2009, 'Shut Out: The experience of people with disabilities and their families in Australia', FaHCSIA, Canberra, p. 47.

12 <http://www.un.org/disabilities/documents/convention/convoptprot-e.pdf>

13 COAG 2011, '2010–2020 National Disability Strategy', FaHCSIA, Canberra, p.53.

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ongoing post-school employment. Dr Richard Luecking, a US practitioner and researcher, states¹⁴:

Since the mid-1980s research has shown that youth with disabilities who participate in work experience, especially paid work, while in secondary school are significantly more likely to hold a job after they exit school than those who do not have these experiences.

Greater effort must be directed to providing employment preparation opportunities to all Australian students with disability while they are still at school. To ensure that these are available, negotiations between education departments, disability employment services and the National Disability Insurance Agency (NDIA) need to be held in order to sort out funding and program responsibilities. Boundary issues must not be allowed to obstruct the expansion of employment opportunities for young people with disability.

To prepare young people with disability for work, action must be taken on a number of fronts: investment to improve the educational outcomes of children with disability; provision of well-structured employment preparation programs for all students with disability; and post-school training providers must get better at meeting the needs of people with disability. Investment in these early years would greatly improve the workforce participation of people with disability.

Pillar three: Engaging with employers

Employment focus—making jobs available

Imposing obligations on people with disability to seek employment is unfair unless there is also increased pressure on, and encouragement of, employers to provide jobs for people with disability.

Covenants could be a useful tool to drive employment outcomes for people with disability. Focused on raising awareness and gaining corporate responsibility commitments, a covenant would encourage more employers to give people with disability a try. The many inspiring stories of people with disability who, with support, have gained employment and become valued employees deserve to be showcased widely.

Covenants could be used to promote 'job customisation' approaches (which involve negotiating job design to suit a person with disability). Existing employment programs don't do enough to support this innovative approach; and human resources departments are often reluctant to consider it. Disability employment services indicate that when this approach is taken, the re-designed jobs may bear little resemblance to standard jobs but the outcomes deliver benefits for all parties.

Businesses, corporations and the public sector should give increased emphasis to removing internal barriers to employing people with disability. Even when boards, chief executive officers and senior management encourage and champion the

¹⁴ Luecking, Richard 2009, The Way to Work, How to Facilitate Work Experiences for Youth in Transition

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employment of a diverse workforce, the message may not filter down to the human resource department or to the middle managers who make employment decisions. Misconceptions about people with disability still exist, often concerning their capacity to undertake the duties required, their WHS risks, or the costs of making reasonable adjustments.

No single initiative will change the resistance of some employers to give people with a disability a go—a well-planned structured campaign, rolled out over a considerable time, will be required.

Encourage employers

Rightly or wrongly, many employers see taking on a person with disability as a risk and accessing the range of assistance (wage subsidies, workplace modifications, Supported Wage Scheme) as overly complex. The willingness of employers to take on employees with disability could be enhanced by:

- providing any employer who employs a person with disability through an employment program with ongoing guaranteed access (a 'lifeline') to a DES (if difficulties arise);
- expanding the role of DES as brokers, simplifying access to assistance for employers;
- advertising the role of disability employment services more widely;
- requiring entities contracting with the Commonwealth to develop and maintain a disability employment plan;
- requiring greater flexibility from employers in accommodating employees with disability—in the same way that the National Employment Standards require employers to respond to requests for flexible working arrangements from parents and carers.

It is heartening to see that a relatively high proportion of positions in the National Disability Insurance Agency have been filled by people with disability (11% compared to an APS-wide figure of 3%). The success of this Agency in recruiting people with disability to fill positions is testimony to what government agencies or departments can achieve with the right attitude and approach. Other government agencies should be encouraged to emulate this achievement.

Replicating successful demand-led employment initiatives

Social enterprises are an important part of the employment spectrum. Whether emerging from scratch or from a re-structured existing business, they often require external assistance to become established. This may take the form of assistance to understand the support needs of employees with disability—including any necessary workplace adjustments—and training needs.

Incentives may be required to encourage growth in social enterprises. These could be directed to: employers to establish or maintain a social enterprise; businesses to provide commercial opportunities for social enterprises; and a co-ordinated government response to social procurement (through specific purchasing policies).

While the social enterprises sector in Australia is relatively young, ADEs have been providing a similar model of employment for people with severe or profound disability for many decades. ADEs are commercial businesses that support more than 20,000

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employees with disability to engage in a wide range of commercial activities. The Australian Government subsidises the cost of supporting these employees with disability. The number of people able to access funded ADE places has been capped since 2007 but given the low participation rate of people with disability (particularly those with severe or profound disability) this cap should be lifted. ADEs provide not only quality employment options; they also deliver additional vocational and non-vocational support to assist employees.

Government procurement from organisations that employ people with disability

An exemption in the Commonwealth procurement Guidelines (No 16) enables Australian government agencies to purchase goods and services from an Australian Disability Enterprise without the need for an open tender process. By purchasing goods and services from ADEs, government agencies increase employment opportunities for people with disability who can't sustain employment in the open labour market.

However, the exemption alone is insufficient to drive purchasing decisions. Because of the size and diversity of government agencies and the significant turnover of procurement staff, awareness-raising needs to be ongoing if this initiative is to deliver benefits. In addition, experience has shown that ADEs need advice on how to meet the purchasing requirements of government agencies and ensure that they satisfy 'value for money' requirements.

With National Disability Services, the NSW Government has established a successful procurement model, based on the NISH 'Ability One' program in the United States. The NSW Government has an exemption for ADEs in its Procurement Guidelines similar to that of the Australian Government. National Disability Services has operated the procurement program for ADEs since 2011. The program provides advice and support to NSW Government agencies about the goods and services produced by ADEs and it helps equip ADEs to meet the purchasing requirements of government agencies. The business model, which includes a contract management fee paid to National Disability Services, will enable the program to become self-sustaining over time.

Since January 2011, the NSW procurement program has assisted 41 ADEs to commence work valued at \$10.4 million, with over 430 jobs for people with severe disability created (full-time and part-time) to deliver this work.

Critical to the success of the NSW project has been the support of Government leaders, with the clear expectation that agencies will seriously consider ADEs when making purchasing decisions.

The Australian Government should establish a national procurement program based on the NSW model.

Reducing the administrative burden on employers and job services providers

Giving employment service providers the flexibility to apply their experience and expertise and respond to the diversity of job seekers is essential to welfare reform. The DES program is regulated by 900 pages of contractual requirements and

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guidelines. Supporting these are assurance audits, site inspections, integrity audits and mandatory quality assurance accreditation. This heavy compliance burden restricts the time and financial resources providers have to develop staff and to provide direct support to individual job seekers.

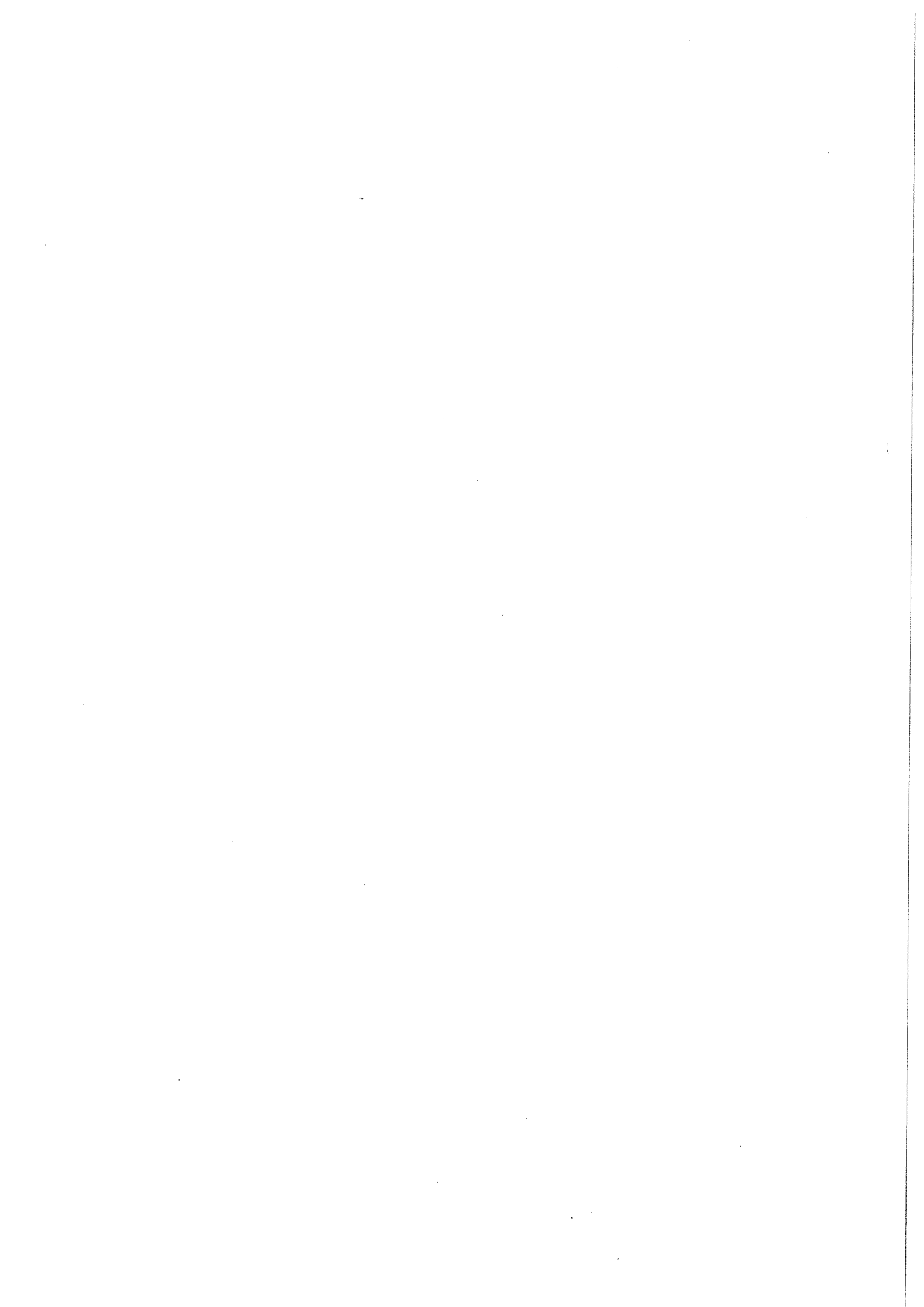
Simplifying the structure of the program would enable resources to be diverted back to the front end of the program (to improving the assessment of an individual's skills and abilities and addressing any barriers to employment). In-depth knowledge of the job seeker greatly enhances an employment consultant's capacity to job match a potential employee to an employer. Reducing the regulation and compliance burdens in the DES program could be done without compromising accountability. Suggestions for doing this include:

- simplify the Employment Participation Plan requirements;
- simplify contact requirements for employees with disability;
- streamline program eligibility and assessment requirements;
- simplify participation reporting requirements;
- risk manage paperwork compliance procedures; and
- review the guidelines with a view to streamlining them.

The heavy compliance burden is exacerbated by the steady erosion of funding. The absence of indexation of this program for several years is reducing the resources available to invest in jobseekers and employers. Doing this at a time when an increasing number of people with disability are obligated to seek employment does not make economic sense.

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National Disability Services is the peak industry body for non-government disability services. Its purpose is to promote and advance services for people with disability. Its Australia-wide membership includes 960 non-government organisations, which support people with all forms of disability. Its members collectively provide the full range of disability services—from accommodation support, respite and therapy to community access and employment. NDS provides information and networking



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opportunities to its members and policy advice to State, Territory and Federal governments.

