Disability, employment and the interface with income support policies

Abstract

In this paper we examine the relationship between disability and paid employment in the context of recent policy changes associated with the former government’s ‘welfare-to-work’ package. We consider the question about whether a high level of disability income provision increases or decreases the risk of people being outside the labour market. The conventional assumption in welfare reform debates is that a more generous payment rate provides a disincentive to seek paid employment. What we argue in this paper, based on international research and a qualitative study undertaken by the authors, is that the reverse is more likely to be true. A lower rate of payment increases the risk of poverty and reduces the chance that people will be able to meet the costs of seeking and maintaining employment. Lifting the employment rate of people with a disability requires a comprehensive strategy that focuses on the adequacy of the income support system, accessible education and employment and an employment services system that is able to meet a diversity of aspirations and skills.

Introduction

While income support arrangements and employment services for people with a disability have incrementally changed over past decades, the policy settings were more radically reformed in 2006 when the then Federal government’s welfare to work policies were introduced. The changes sought to toughen work requirements for people with a disability. People with a disability and parents on income support came under the umbrella of the government’s mutual obligation policies and as such were subject to activation measures and compulsory work related activities. The policy changes were referred to as the Active Participation model, which required new applicants for the Disability Support Pension (DSP) to undergo a Job Capacity Assessment (JCA) before being considered for Newstart Allowance or other benefits.

When the reforms were introduced a number of service providers and peak bodies raised concerns that restriction and reduction in payments would lead to financial hardship and would not address issues of labour market discrimination (ACOSS, 2006). The government responded by saying that the rising numbers of people on the Disability Support Pension had to be addressed to reduce the cost burden to government. Political pressure for reform was reinforced by concerns about the budgetary impact of demographic ageing. Policy-makers became worried that replacement levels of income support payments create disincentives to work and thus would undermine efforts to promote the entering or return to employment of people with disabilities. The belief that high levels of income support payment will create a disincentive to find employment has become the conventional wisdom in welfare-to-work policy reforms (ACOSS, 2006). [References required] This assumption is based on the idea that people have insufficient personal agency and motivation to secure paid employment.

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In this paper we question these assumptions. We consider overseas research on income support policies for people with a disability and qualitative accounts of barriers to employment for people with a disability. The international evidence from a number of OECD countries challenges the idea that lowering income support payments increases the likelihood that people will secure paid work. The qualitative experiences derived from our Australian study confirm the high costs of living with a disability and the extra costs associated with active job search on a limited income. The research that this paper draws on consists of an ARC Linkage Study into the work and welfare experiences of people with a disability after the 2006 welfare-to-work policy changes and secondary analysis of OECD reports and other published studies on income support arrangements for people with disabilities. The first part of the paper looks at the international context, the second part of the paper considers first-hand accounts of barriers to employment and the adequacy of income support payments in facilitating the transition to employment.

The International Context

The ‘active society’ push in western countries has been driven by research and analysis coming out of the Organisational for Economic Cooperation and Development (OECD) The organisation has published a series of reports and recommendations for reforms (OECD 2003, 2006, 2007). The main message from these reports is that we have seen a long-term trend upward in disability expenditure and the number of beneficiaries in a majority of member countries. Table 1 summarises the trends and the levels of recipiency based on Carcillo and Grubb (2006).

Table 1 Trends in benefit recipiency 1984-2005

<table>
<thead>
<tr>
<th>Main Direction of Trends 1994-2004</th>
<th>Level of benefit recipiency 2004</th>
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<tbody>
<tr>
<td></td>
<td>Downwards</td>
</tr>
<tr>
<td>More than 5 per cent of the working age population</td>
<td>Finland</td>
</tr>
<tr>
<td></td>
<td>Portugal</td>
</tr>
<tr>
<td></td>
<td>France</td>
</tr>
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<td></td>
<td>Ireland</td>
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<td></td>
<td>Netherlands</td>
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<td></td>
<td>Denmark</td>
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<td></td>
<td>Norway</td>
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<td></td>
<td>Sweden</td>
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<tr>
<td></td>
<td>United Kingdom</td>
</tr>
<tr>
<td></td>
<td>United States</td>
</tr>
<tr>
<td>5 per cent or less of the working age population</td>
<td>Germany</td>
</tr>
<tr>
<td></td>
<td>Spain</td>
</tr>
<tr>
<td></td>
<td>Canada</td>
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<tr>
<td></td>
<td>Australia</td>
</tr>
<tr>
<td></td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td>New Zealand</td>
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</tbody>
</table>

In Australia the numbers of people on DSP doubled from 1986-2006, increasing from 300,000 to more than 600,000. Part of this can be explained by changes to entitlement and people moving between payments, particularly from Newstart to DSP. In 2005 and 2006, around 35% of people claiming DSP for the first time were previously on Newstart (DFACS, 2008). Another explanation for the increase relates to changes to eligibility requirements for the Aged Pension, which means some older Australians are going onto DSP before becoming eligible for the Aged Pension. The age which women can claim the Aged Pension is slowly being increased. These factors do not explain all of the increase, as the majority of applicants in the years 2006 were new
applicants. It is this increase that provided the official rationale for extending welfare-to-work policies to people with a disability in 2006.

Comparisons with other countries were also a factor in the design and implementation of welfare-to-work policies. Policy transfer between western countries has been a key feature in the development of welfare-to-work policies. The OECD ranking system has been influential in Australia. The 2008 Federal Government’s discussion paper on developing a National Mental Health and Disability Employment Strategy, for example, relies extensively on OECD data. The following quote is indicative of how the Federal Government in Australia is framing the debate, based on OECD data:

More recently, the OECD noted that the employment rate for people with a disability is disappointing given the growth of the Australian economy over recent years. The OECD also pointed out that Australia’s rate of employment of people with disability is declining, while the employment rate of people with disability in other countries is increasing (Australian Government, 2008).

A core of the OECD recommendations is targeted at factors assumed to regulate the influx of new recipients. Some of the recommendations address the rules for eligibility to benefits, others the services aimed at supporting entry or return to new employment. Governments are encouraged to introduce or enforce ‘work-availability’ requirements for receiving benefits, based on sanctioning of non-compliance. The OECD has expressed concern for the possible disincentive effects of benefit levels and suggests that generous benefits might be reduced (OECD, 2001).

It is this rationale that sits behind the change to policy settings in 2006. The policy meant that people assessed as being capable of working 15 hours per week would be moved to the less generous New Start Allowance. At the time various peak welfare bodies warned that this might mean that people with a disability could be up to $120 a week worse off (NATSEM, 2005). The government failed to modify the policy, sticking to the idea that this would create an incentive for people to find employment. In the three years since the policy was introduced the policy has failed to have its intended effect. On the latest publicly available data, the numbers of people claiming DSP has not declined (DFACS, 2008).

The incoming Rudd government recognised that there were some unintended consequences associated with the former government’s welfare-to-work policy settings. Since coming to office they have made some minor changes that have sought to address the disincentive to seek employment assistance. They have de-coupled the assessment process from eligibility for payment. This change is in direct response to widespread concern about the previous arrangement where the Job Capacity Assessment determined whether someone was to be streamed onto Newstart Allowance. Since the change of policy was introduced in September 2008 the Government claims there has been a 34 per cent increase in the number of DSP recipients volunteering to access employment services (O’Connor, 2008). In relation to the fundamental issue about the adequacy of the income support payment level the government has as yet made no decision about the rate of payment, as this falls under
the ambit of the social security system through the Harmer Review (which looks at pensions) and the Henry Review (which looks at the whole tax-transfer system).

In the context of these inquiries, there has been a general concern expressed that at $281 per week the single rate of pensions is inadequate and the Rudd Government is under pressure to increase it (ACOSS, 2006). Payments are not benchmarked to the costs of the essentials of life in Australia today. Levels of payment are based on an historical divide between 'pensions' and 'allowances' rather than actual living costs (for example the costs of disability or job search). International research on payment levels and employment rates should be of interest to the government as it examines the OECD assumptions about higher rates of payment creating a disincentive to seek and secure paid employment\(^2\). There are two tentative conclusions to be drawn from the comparative data. The first conclusion is that substantial cuts in disability provisions are likely to lead to a considerable increase in the proportion of persons with severe disability who find themselves in poverty (Hvinden, 2008). The second more tentative conclusion, based on an analysis of Euro stats data for 23 European countries\(^3\) is that there is a positive correlation between the level of spending on redistributive disability provisions (includes the costs of income transfers and costs related to economic integration, such as training, services for independent living and technical aids enabling employment) and the employment rates of respondents with disabilities (Hvinden, 2008). The calculation is based on the percentage of disability related benefits as per cent of Gross Domestic Product. Importantly, the Eurostats data does not clearly disaggregate income support levels from training/employment services, which makes it difficult to disentangle the differing effects of integration programs and payment rates. Moreover, the way some countries collect data makes it difficult to determine the distinction between ‘passive’ (transfers) and active benefits (labour market programs). Further research is required to determine whether the positive correlation is strongly associated with higher payment rates. To the extent that the positive correlation between redistributive disability provisions and employment rates is confirmed in future research would confirm, it would suggest that such provisions are not associated with exclusionary processes to the extent that it justifies substantial cuts in such provisions (Hvinden, 2008).

There is a need for further research to show how different elements of disability policy interact and what impact this interaction has on employment outcomes and the agency of persons with disabilities. Even without further research, however this tentative finding provides some ground for challenging the assumption that it is possible to substantially increase the proportion of persons with disabilities through gainful employment without considering the costs of welfare/work transitions for people with a disability. Although some countries have had some success in this respect, helped by a high demand for labour, the overall achievements are modest

\(^2\) While comparative data is informative, using it as a basis for policy highlights some of the ambiguities inherent in disability policy and definitions of disability. Knowledge about whether a person has a disability or not has to be collected through statistical surveys. Through his or her answers to a set of screening questions the individual respondent identifies himself or herself as a person with a disability or not. Some people’s reluctance to give this kind of self-identification is one source of error in surveys (Hvinden, 2008: 13).

\(^3\) The countries include Belgium, Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, Italy, Cyprus, Lithuania, Hungary, Malta, The Netherlands, Austria, Portugal, Slovenia, Slovakia, Finland, the United Kingdom, Romania, Norway and Sweden.
when considering the high priority given to this policy goal by many national
governments. This outcome would suggest that there is a real risk that a tightening of
income support systems through stricter eligibility rules and reduced level of
generosity of benefits will lead to reduced financial security, living standards and
well-being of many persons with a disabilities. Many people with disabilities live in
or near poverty (Barnes & Mercer 1995; Beresford 1996). For those people who
acquire a disability during their adult working life, the disability benefit may not
allow them to maintain their pre-disability lifestyle. The loss of income can lead to
loss of access to transport and accommodation and a slide into poverty. It is these
risks, some of which are associated with the welfare-to-work policy changes in
Australia, that prompted the qualitative study reported on in the next section.

**Perceived costs and benefits of transitioning to employment**

Here we move from a more macro context and discuss some preliminary findings
from a two year ARC funded study that commenced shortly after the introduction of
the 2006 welfare to work changes. The aim of the study was to monitor the impact of
policy changes associated with the then Government’s welfare to work policy
reforms. The study is jointly funded between the ARC and ACE National, the peak
body for the Disability Employment Network. Both the University of Queensland and
the University of Melbourne are conducting the research. The study is a qualitative
study that involved semi-structured interviews at twelve monthly intervals. The study
was conducted in four locations, two metro and two regional. The metro locations
included Brisbane and Melbourne and the regional centres included Northern NSW
and south-western WA (Bunbury and Albany). In total 80 participants were included
in the study across the four sites. Participants were selected on the basis that they were
actively seeking employment through participation in the Disability Employment
Network. Letters were sent to individuals who were on the books of various agencies
in each region.

To avoid any obvious selection bias, these individuals contacted the researchers
directly if they were interested in taking part in the study. Regarding inclusion
criteria, the researchers were looking for a diverse sample regarding disability, age
and gender. The breakdown of the sample for the first round of interviews is as
follows:

<table>
<thead>
<tr>
<th>Gender</th>
<th>Age</th>
<th>Primary disability (self-reporting)*</th>
<th>Employment status</th>
<th>Centrelink benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>18-25 (10)</td>
<td>Physical Disability (39)</td>
<td>Some form of paid work 51</td>
<td>Newstart allowance 24</td>
</tr>
<tr>
<td></td>
<td>26-30 (10)</td>
<td>Visual impairment (2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>31-40 (35)</td>
<td>Hearing impairment (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>41-50 (13)</td>
<td>Mental Health (29)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>51-60 (10)</td>
<td>Intellectual Disability (10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>61+(3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>32</td>
<td>No paid work</td>
<td></td>
<td>Disability</td>
</tr>
</tbody>
</table>


55 participants reported having multiple disabilities during the course of the interview.

The first round of interviews was conducted in August-November 2007 and the second round of interviews was held from August-December 2008. The attrition between the first and second rounds varied across the four sites was around 10%. The focus of the first round of interviews was on barriers to employment and the effects of the welfare-to-work policy changes on people with a disability on income support (either Newstart or the Disability Support Pension). It is this first round of interviews that is discussed here in regard to the role played by income support policies (including the level of the payment) in the transition to employment.

The interviews conducted for this study confirm the typical barriers identified in studies of disability and employment, such as variable health, access to transport, workplace culture and modifications and labour market discrimination. Caring responsibilities was a factor for people with children in the study. There are a couple of other factors that are not as evident in the literature, but which were consistent themes in the study. For half the sample who were working at the first interview a key factor that meant they could maintain employment around their variable health status was an understanding employer, support through family/friends and the expert guidance of their Disability Employment Network provider. The issue of workplace disclosure for people with mental illness and psychiatric disabilities, however, meant that some people in the study were unable to establish a relationship of trust and understanding in the workplace and this undermined the sustainability of their employment:

“I prefer where possible not to disclose. I get worried that if I disclose that I am paranoid schizophrenic that might be a, not a direct discrimination, but an indirect one” (women, mid 30s, Brisbane, Newstart).

The issue of disclosure is also a factor in relating to government authorities, such as Centrelink. Consistent with other research on the implementation of the welfare-to-work policies (Marston and McDonald, 2008), having less ongoing contact with Centrelink was in fact a powerful motivating force in seeking paid employment. The stigmatizing effect of ‘being on welfare’ was very real for all the participants, as was the demands of the reporting requirements, as illustrated in the following interview with a man living with HIV:

“They assume that the person getting a pension isn’t really truthful about what has happened in their life. They assume that the person is actually using the system to do what they want to do. They still make me bring in medical certificates even though I have the later stages of HIV. Hasn’t anyone told them that there is no cure. I mean someone should tell them because soon I won’t have the strength to bring in anymore medical certificates. It’s just demeaning” (Male, mid 30s, Brisbane, Newstart).
This perception highlights the tension in the role played by the statutory authority in balancing the ‘rights and responsibilities’ discourse of contemporary Australian social security policy. On the one hand, Centrelink states that its mission is to assist people to access their entitlements, and on the other hand the message behind welfare-to-work is the requirement to make life uncomfortable for those who are deemed ‘welfare dependent’. The combination of ‘help and hassle’ (Mead, 1986) sends a confusing message to people with a disability who are seeking employment.

The assumption of passivity associated with the receipt of pension was very far from the reality of people involved in the study. One of the main findings of the study was that many people with a disability felt that they were being treated as though they were unwilling to work, which, as noted above, has had an impact on the design of welfare-to-work policies. The study provides ample evidence that this assumption of a lack of willingness to work is unwarranted, harmful to people with a disability and counter-productive. There are several pieces of evidence from the study that undermine this assumption. First of all, whether or not they were in the paid workforce, all the participants in the study were active members of society, involved in volunteer work, clubs, associations and all could see the benefits of paid work – hence their involvement with the Disability Employment Network. They were also prepared to take some risks and pursue retraining options or new areas of possible employment, which indicates that they possessed ample motivation. Second, many people on DSP found it very difficult to make ends meet and noted that they were keen to put themselves in a financially sustainable position through paid work. However, one of the strongest motivations, especially for those who had really had access to regular employment, was recognition of the non-cash benefits of having a job. Access to social networks and, often, wanting to make a contribution, were also strong motivations expressed by many. This last factor in particular shows that making the monitoring mechanisms tougher and not increasing the benefit is unlikely to diminish the motivation of those with a disability to find suitable work.

Indeed, the risks of engagement under the welfare-to-work policy regime and the possible loss of income through being transferred to a lower rate of income support payment weighed heavily on the minds of those who were on the Disability Support Pension in the study and may even be counter-productive, as the following quotes illustrate:

“Work is rewarding not only to yourself but others but, yeah there’s a push from the government to get everybody of the DSP but not everybody on a DSP can get off the DSP into a job” (Northern NSW, male, mid 30s, DSP)

“Those people have been through enough already, they don’t need the pressure of having to find work when they’re clearly physically unable to do it and it's going to cause them a lot of stress and their families and perhaps even make their condition worse” (Albany, female, mid 20s, DSP).

The qualitative study highlighted that people are finding the transition more difficult because of the uncertainty created by a possible loss of income and benefits associated with the inequities between a pension payment and an allowance. Moreover, these payment categories have no relationship to the actual cost of living and maintaining employment. One of the messages from the study is that people need
a degree of income certainty and payment security if they are going to successfully negotiate the transition to paid employment. If not, the risks are perceived as too great:

“I want to work but I don’t want to be socially or financially disadvantaged”
(male, mid 40s, Melbourne, DSP)

“I think the criteria for meeting the guidelines to be able to receive a Disability Support Pension are just too high and they’re not [long pause] very little compassion or reasoning put into it and then you are only allowed to work, if you’re on a DSP now, you are only allowed to work 12 hours a week. It’s just not workable”. (female, early 20s, Brisbane, DSP).

The question about the rate of payment and its potential to act as a disincentive to seek paid employment is not something that was raised by participants themselves, but discussion about income and expenses generally painted a picture of struggling to make ends meet. Rather than get involved in the technical discussion about what rate of payment would be sufficient, the starting point is to acknowledge that the pension rate was often described as inadequate in meeting basic living expenses and there was a genuine fear about the loss of certain subsidies once people went off their pension or allowance. None of the participants in the study felt that their level of payment was sufficient to meet all of their living expenses, with the exception of people living in public housing. The main sources of financial stress were housing, food and health related expenses.

On the basis of these reflections it is hard to imagine how a moderate increase in the pension or associated benefits (such as increased subsidies for health/support services and transport) would somehow act as a disincentive to seek paid employment. Moreover, people in the study were able to see that work offers other non-cash benefits, including enhanced social interaction and skill development, which meant that extra money was not always the primary motivation. These firsthand perceptions and experiences confirm what the overseas studies point towards. Issues of poverty are very real for people with a disability and any policy that seeks to further marginalize people, both in a redistributive sense and in terms of culturally devaluing people in receipt of a Disability Support Pension is ultimately counter-productive to the goal of increasing the workforce participation rates of people with a disability.

Conclusion

In this paper we have outlined a basis for questioning the welfare-to-work policy assumption that increasing payments and supports for people with a disability will act as a disincentive for labour force participation. Based on existing studies and the comparative data it would seem that there are other barriers to employment that warrant urgent attention, such as discrimination, access to personal support and subsidies to assist with the transition to employment. As discussed, countries with higher rates of redistributive expenditure on people with a disability also have a higher employment rate of people with a disability. This indicates that the benefits of work are very real, but so are the costs of making the transition. What people require is certainty and a degree of financial security, rather than the threat of financial sanction and a lower rate of payment. There is at least some indication in the context
of the Rudd Government’s deliberations on developing a National Mental Health and Disability Employment Strategy that this message is starting to be heard. It remains to be seen whether the government will also tackle the more fundamental issue about the inequities between allowances and pensions and the inadequacy of the payment rate of both.

The ultimate goal of any employment policy should be to offer a practical and realistic approach to allow people with disabilities attainment of long-standing, financially suitable, and personally satisfying employment (Disability Now 2008). Based on analysis of available OECD data Hvinden (2008; 11) makes the point that:

> There is a real risk that that a substantial tightening of income support systems for people with disabilities, through stringent eligibility rules, work availability requirements, shorter durations of benefits and/or reduced level of generosity of benefits will not be matched with a strong increase in employment rates, but rather lead to reduced financial security, predictability, living standards and well-being of many persons with disability.

This finding makes us cautious about whether the original intention of the welfare to work polices in regard to people with disability will be realized. We must remember that the 2006 reforms were introduced when there was a high demand for labour, and yet the numbers of people on DSP did not decrease from 2006. Although governments may try to diminish the number of persons who need to present such legitimate claims through prevention, including non-discrimination and accessibility provisions, it is hard to imagine a society where no working-age people will need society’s support and exemption from work. What is required are policy settings that respond respectfully and thoughtfully to the diversity of capabilities and aspirations of people living with a disability.
References


Retrieved 19 May, 2008, from


