



Australian Government

**Department of Employment and
Workplace Relations**

Country Note • Round two (2006-2007)

OECD Thematic review:

**Reforming sickness and disability
policies to improve work incentives**

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1. Introduction and main context

1.1 Forces shaping policy development

An introduction to Australia's system of government

In 1901, a federal system of government was created in Australia. Power is divided between the national government (called the Australian Government), six State governments and two Territory governments. The Constitution defines the powers and legislative jurisdictions of the Australian, State and Territory governments.

There are three main 'arms' of the Australia Government;

- The legislature (or parliament) which is responsible for making new laws. The parliament consists of two chambers: the House of Representatives and the Senate. The Government of the day holds the majority of seats in the House of Representatives;
- The executive is responsible for enacting and upholding the laws established by the legislature (the public service is part of the executive). Certain members of the legislature are also members of the executive (eg ministers), with special responsibilities for certain areas of the law. The Prime Minister is also a member of the legislature;
- The judiciary is the legal arm of the Australian Government. It is independent of the other two arms, and is responsible for enforcing the laws and deciding whether the other two arms are acting within their powers.

Broadly speaking, the Australian Government has responsibility for matters such as taxation, defence, external affairs, trade, immigration and industrial arbitration. State governments can make laws on any subject of relevance as long as it does not conflict with Australian Government law. As a result States generally pass laws on a wider range of subjects than the Australian Parliament. This includes education, criminal law, roads and transport, health and other services. However, the States have traditionally not raised sufficient revenue to perform all their functions and therefore rely on grants of financial assistance from the Australian Government.

Income support and social protection in Australia¹

The income support and social protection system in Australia consists of a series of arrangements funded and managed in some instances by the Australian Government at the federal level and, in other instances, by the various State and

¹ FaCS (2000) 'The Australian system of social protection—an overview'. FaCS Policy Research Paper No.1

Territory governments. These arrangements include various schemes for assisting those who are sick or have a disability.

THE SOCIAL SECURITY SYSTEM

This is administered by the Australian Government, funded from general tax revenue, and provides means-tested income support to those not expected to work (retired people, parents with children below school age and carers), people with restricted work capacity (people with disability and the sick) or those who actively look for work (the unemployed).

PENSIONS FOR WAR VETERANS AND THEIR DEPENDENTS

The Australian Government provides income support pensions to veterans and their partners. It also provides compensation pensions to disabled veterans and their widows.

SUPERANNUATION

There is a mix of voluntary and compulsory superannuation, funded by employees and employers and supported through tax concessions from the Australian Government, which provides either lump sum benefits and/or earnings-related benefits on retirement.

HEALTH CARE SYSTEM—MEDICARE

Medicare is a national health insurance scheme with universal coverage. It provides free public hospital services and assistance with other medical costs. It is funded through a combination of a tax levy, Australian Government general revenue, State and Territory governments and patient contributions.

HEALTH CARE – VETERANS AND THEIR DEPENDANTS

The Australian Government provides comprehensive hospital, medical and allied health services to eligible veterans and their dependants.

PHARMACEUTICAL BENEFITS SCHEME²

The Australian Government subsidises the cost of many prescription medicines through the Pharmaceutical Benefits Scheme (PBS) and the Repatriation Pharmaceutical Benefits Scheme (RPBS). The PBS gives Australian residents and eligible overseas visitors access to prescription medicine in a way that is affordable, reliable and timely. The RPBS provides an extended range of pharmaceuticals to the veteran population.

COMPENSATION FOR WORK INJURIES OR DEATH

This is administered primarily at the State and Territory government level and is financed by compulsory, risk-related premiums paid by employers to commercial

² http://www.medicareaustralia.gov.au/providers/programs_services/about_pbs.htm

insurers or, in some states, to state-run compensation funds. Employees of current and former Commonwealth authorities and employees of eligible companies in competition with such authorities are covered by national schemes.

COMPENSATION FOR ROAD ACCIDENT INJURIES AND DEATH

This provides for lump sum awards for loss of earnings, medical costs, pain and suffering, and specified amounts for specific injuries incurred in road accidents. It is funded through a compulsory levy on motor vehicle owners paid to commercial insurers.

LIFE AND CONTINGENCY INSURANCE

This is essentially voluntary in nature and operates through commercial insurers, although in some instances it is supported by tax concessions.

PAID SICK LEAVE

This is provided and financed by employers. Under most workplace agreements, a set number of days at full pay are allowed per year. In some cases, these days can accrue over years.

In addition to the above income support measures, the Australian Government offers a number of other programmes to assist Australians, including those with disability or illness:

HOUSING ASSISTANCE

The Australian Government provides subsidies for rental housing costs in the private sector in the form of rent allowances (Rent Assistance) given through the social security system and to the veteran community through the Department of Veterans' Affairs. The Australian Government also provides to veterans housing assistance in the form of subsidised housing loans and home support loans. The Australian, State and Territory governments fund the provision of public and community housing jointly.

COMMUNITY AND WELFARE SERVICES

Funding for these services is from a mix of Australian, State, Territory and local government funds. Jointly funded by the Australian Government and the State and Territory governments, the Home and Community Care (HACC) Program provides community care services to frail aged and younger people with disability, and their carers. In addition, the Veterans' Home Care program, funded by the Australian Government, provides a range of low level home care services to support veterans to remain at home.

COMMUNITY SUPPORT SERVICES

These services provide the support needed for people with disability to live in a non-institutional setting. They include case management, regional resource and support teams, counselling, early childhood intervention services and other support services.

COMMUNITY ACCESS SERVICES

These services help people with disability to use and develop their abilities to enjoy social independence. They include day services, learning and life skills development, recreation and holiday programs. People who do not attend school or who are not employed full-time mainly use these services.

RESPIRE SERVICES

Respite services provide a short-term and time-limited break for families and carers of people with disability to assist and support their primary care role while providing a positive experience for the person with a disability.

EMPLOYMENT SERVICES

Employment services provide either assistance to people with disability in obtaining or retaining paid employment in another organisation (open employment), or support or employ people with disability within the same organisation (supported employment).

ADVOCACY, INFORMATION AND PRINT DISABILITY SERVICES

These services help people with disability to increase their control over their lives by representing their interests and views in the community and by providing accessible information about services and equipment.

PROMOTING HEALTH AND HEALTHY AGEING

A wide range of health and healthy ageing programs are available which can provide support to people with sickness and disability and assist them to enter or remain in the workforce. These programs are funded in some instances by the Australian Government at the federal level and, in other cases, by the various State and Territory governments (see Section 2.1 for more information).

Policy objectives and priorities

THE CURRENT WELFARE REFORM CONTEXT

The publication of a report entitled 'Participation Support for a More Equitable Society' (the McClure Report) in 2000 was a precursor to welfare reform in Australia. The report was the work of the Reference Group on welfare reform, a group made up predominantly of academics and practitioners from the welfare sector.

The report generated strong support for welfare reforms to avert trends toward intergenerational poverty, joblessness and social exclusion developing in Australia. In response to the McClure Report the Australian Government announced a \$1.4 billion package of reforms in the 2001 Budget called *Australians Working Together*.

Australians Working Together (AWT) was scheduled to commence in 2002, however, delays in the passage of legislation postponed the introduction of most key initiatives until September 2003. Some of main AWT reforms included:

- An extension of Mutual Obligation requirements to unemployed job seekers aged 35-49;
- Participation requirements for recipients of Parenting Payment with children 12 years of age and over;
- Better assessment and early interventions for people with disability; and
- The introduction of the Personal Support Programme, Transition to Work and Working Credit to improve employment assistance and incentives.

In 2002 the Australian Government released its first *Intergenerational Report*, a major report on Australia's ageing population.³ This report presented projections of labour force participation and the primary fiscal balance over the next forty years and highlighted the impact of ageing and rising public health expenditures on these projections.

The most recent step in the welfare reform process was the *Welfare to Work* package announced in the Australian Government 2005-6 Budget. The package consisted of \$3.6 billion of reforms to the income support and employment services systems. The reforms had two overriding objectives: increasing workforce participation and reducing welfare dependency.⁴

Welfare to Work policies focused on four (4) main welfare target groups:

- people with disability;
- parents;
- mature age job seekers; and
- very long-term unemployed job seekers.

For all groups participation requirements were increased and for parents and people with disability income support eligibility was restructured so that recipients in a position to look for work (including part-time) became eligible for unemployment payments⁵.

Under Welfare to Work, new services were introduced and existing services were expanded. New services included Job Capacity Assessments, Employment Preparation and Wage Assist (wage subsidies for the very long-term unemployed). Existing services to be expanded and improved were the Disability Employment

³ Australian Government Budget 2002-3, Budget Paper No. 5

⁴ Australian Government Budget 2005-6

⁵ Further information on Welfare to Work reforms can be found at:

<http://www.workplace.gov.au/workplace/Category/SchemesInitiatives/MovingIntoWork/AboutWelfaretoWorkreforms.htm>

Network, Personal Support Programme, Vocational Rehabilitation and Work for the Dole.

Welfare to Work also changed income support withdrawal rates to allow recipients with part-time work to keep more of their earnings. Employers were also targeted with extra encouragement and assistance to expand their employment of job seekers in the four key target groups, including people with disability.

The implications of these recent reforms for people with disability are discussed below and, in further detail, in sections 2 and 3.

THE DISABILITY REFORM AGENDA

Early reforms

The current disability reform agenda had its beginnings in the 1996-7 Australian Government Budget, where five main initiatives were announced:

- better assessment of a person's capacity to work and their individual support needs
- moving disability payment (Disability Support Pension) recipients to "mainstream" support systems where they have the capacity to benefit from the change, while also ensuring they have access to improved specialist services
- an increased focus on rehabilitation, retraining and employment support
- ongoing support for the aims of the Commonwealth, State and Territories Disability Agreement (see governance arrangements below)
- reform of disability services to ensure better employment outcomes for consumers as a result of new quality assurance standards and more effective distribution of funding.⁶

Australians Working Together

The Australians Working Together (AWT) package was introduced in 2002 and 2003. The principal measure for people with disability was the Better Assessment and Early Intervention initiative. This involved a new assessment process to identify an individual's work capacity and to recommend services to improve work prospects. Unemployed job seekers who applied for an incapacity exemption were also subject to the improved assessment process. The AWT package also included extra funding for DEN services and the introduction of the Personal Support Programme and Working Credit.

⁶ FaCS report (2003) 'Improving employment opportunities for people with a disability: Report of the review of the Employer Incentives Strategy' March

Following these reforms the number of people receiving Disability Support Pension continued to rise but the rate of increase has declined. The number of incapacity exemptions also reduced from 14 per cent to around 10 percent in 2003. While there was no real increase in labour force participation the Job Network placed more people with disability into work in 2003.

Legislation to amend the Disability Support Pension

In 2002 the Australian Government attempted to introduce legislation to amend the eligibility criteria for the Disability Support Pension. The Government's objective was to reduce the level of assessed incapacity needed to qualify for the Disability Support Pension from 30 hours per week to 15 hours. If the legislation succeeded it would have resulted in individuals with a work capacity of 15 hours or more being ineligible for the Disability Support Pension and eligible for unemployment payments (as occurred subsequently under Welfare to Work). The Australian Senate opposed the Government's reforms and the legislation was not introduced.

Structural reforms

Following the October 2004 Federal Election, the Prime Minister restructured the Government departments involved in welfare and employment services. Responsibility for key services to people with disability was transferred to the Australian Department of Employment and Workplace Relations (DEWR). Services included the administration of income support for working age people, including the Disability Support Pension; administration of open employment services; vocational rehabilitation and programs such as the workplace modifications scheme, mobility allowances and workplace subsidies. (see Section 2 and 3 more information on services and supports).

Specialised supported employment services (now known as Business Services) remained with the (former) Australian Department of Family and Community Services (see Section 3.1 for more information on Business Services).

The portfolio changes allowed the integration of income support and open employment services into one portfolio. The changes also provided a clear signal that open employment in the marketplace is a preferred goal for people with disability.

Welfare to Work

The goal of open employment for those with a disability was further pursued in the 2005-6 *Welfare to Work* package. The Government identified the passivity of Disability Support Pension as an important factor in the growth of the payment.⁷ The

⁷ DEWR (2005c) Submission to Senate inquiry into Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005

Welfare to Work reforms aimed to improve the identification of people with partial work capacity and reduce access to the Disability Support Pension. *Welfare to Work* places the focus on assessing 'ability' or 'capacity' rather than disability, that is on what people with a disability can do rather than what they cannot do.

Assessments of individuals' ability to work are undertaken by Job Capacity Assessors who identify all barriers to participation and recommend interventions to help overcome those barriers. Assessors consider the impact of medical conditions and/or disability on an individuals' work capacity and wherever possible directly connect them to services to assist them to maximise their workforce participation. Responsibility for the Job Capacity Assessment programme lies with the Department of Human Services.

Analyses of prior welfare reforms had shown that participation requirements were necessary to increase the uptake of employment and improve the financial independence among people with disability. Consequently, *Welfare to Work* reforms placed greater emphasis on participation requirements for people with disability. From 1 July 2006, individuals assessed as being able to work 15 hours or more a week independently of support in the open labour market are eligible for an unemployment payment—either Newstart or Youth Allowance—with participation requirements. Previously, these individuals would have qualified (subject to meeting other eligibility criteria) for Disability Support Pension.

Participation requirements will require the individual to:

- undertake 15 hours a week of paid work; or
- participate in employment services; and
- engage in job search activities; and
- undertake an annual mutual obligation activity.⁸

HEALTH REFORM AGENDA

The Australian Government is undertaking significant reform of the health agenda with priority given to the challenges of curbing the rising human and financial cost of chronic disease, including mental illness.

In February 2006, the Council of Australian Governments (COAG) announced the Australian Better Health Initiative (ABHI), which is consistent with the National Chronic Disease Strategy (NCDS). The ABHI is a four year, national program, developed to refocus the health system to promote good health and reduce the burden of chronic disease. The ABHI, which commenced in July 2006, promotes healthy lifestyles, supports the early detection of those at risk of chronic disease and assists people to adopt healthier behaviours.

⁸ *ibid*

In May 2006, the Australian Government announced a commitment of \$1.9 billion to improve services for people with a mental illness, their families and carers, representing its funding commitment to the COAG *National Action Plan on Mental Health 2006-2011*. This package increases access to primary mental health care, increases access to other services in the community for people with mental disorders, increases the mental health workforce, and provides better services for people with both mental health and drug or alcohol problems. Australian governments across all jurisdictions have committed approximately \$4 billion over five years under the Plan.

Governance⁹

Income support for people with disability is the responsibility of the Australian Government, and is administered under the provisions of the *Social Security Act 1991*. Income support for eligible veterans and their partners is provided under the Veterans' Affairs legislation. The five-year Commonwealth, State and Territory Disability Agreement (CSTDA) provides the national framework for the delivery, funding and development of specialist disability services for people with disability. Under the three agreements signed so far, (the first in 1991) all parties are responsible for funding specialist services for people with disability:

- the Australian Government has responsibility for the planning, policy setting and management of specialised employment assistance
- State and Territory governments have similar responsibilities for accommodation support, community support, community access and respite
- support for advocacy, information and print disability is a shared responsibility.

Under the current CSTDA, all ministers (Australian, State and Territory) with responsibility for disability services agreed to pursue five strategic policy priorities:

- strengthen access to mainstream and generic services for people with disability
- strengthen cross- government linkages
- strengthen individuals and families
- improve long-term strategies to respond to, and manage demand for, specialist disability services
- improve accountability, performance reporting and quality of specialist disability services.

All governments, especially the Australian (federal) Government, placed a particular emphasis on the fifth priority—'improve accountability'. This ensures that information that must be reported to the public is reported in ways that are understandable and transparent.

⁹ FACSIA (2006) Commonwealth State Territory Disability Agreement Factsheet,

The Australian Government has also signed individual, bilateral agreements with each State and Territory under the umbrella of the multilateral agreement. These agreements commit the parties to work together to address key issues for people with disability including:

- flexibility between service provision by different levels of government
- the situation of young people living in Australian Government funded residential aged care facilities
- issues facing people with disability who are ageing.

THE DISABILITY SERVICES ACT 1986

The *Disability Services Act 1986* (DSA), administered by the Australian Government, shifted the focus of employment services for people with disability from large segregated services to smaller services that recognised the vocational needs and support requirements of individual employees. The Act identified competitive employment training, placement services and supported employment as the future of employment services in Australia.

The Disability Employment Network and Vocational Rehabilitation Services are funded under the DSA. The National Disability Services Standards sit under the *Act* and apply to both the Disability Employment Network and Vocational Rehabilitation Services. Service quality is assessed against the Disability Service Standards by skilled audit teams from accredited certification bodies.

The DSA provides that supported employment services provide meaningful, paid employment for people with disability who would not be able to perform paid work in disability employment unless they had ongoing support.

CENTRELINK

A large number of Australian Government services are delivered through a statutory agency—Centrelink—located under the umbrella of the Department of Human Services. Centrelink is responsible for delivering a range of social security and welfare payments and services on behalf of a number of policy departments of the Australian Government. In particular, Centrelink delivers income support and other services to people with disability and ill health and is also one of 18 Job Capacity Assessment providers.

Socio-economic context

DISABILITY TRENDS

Australian Bureau of Statistics data from 2003 (latest published data available) show that almost 20 per cent of Australians have disability (3.95 million people). Of those

with disability, 2.2 million were aged 15 – 64, representing 16 per cent of the total population aged 15-64. In addition, 1.24 million people, or 6.3 per cent of the population, had a profound or severe core activity limitation that meant they always or sometimes needed assistance with everyday activities.¹⁰

Eighty-four per cent of people with disability have physical conditions, 11 per cent have mental and behavioural disorders, and 5 per cent have intellectual and developmental disorders.¹¹

As the population ages, there will be more people with disability. But, interestingly, there is no evidence that the age-standardised rates of severe disability are rising. The evidence from five population surveys from 1981 to 2003 shows that there has been no change in rates for profound or severe core activity limitations.¹²

Despite this, there has been a continuing increase in the number of people in receipt of Disability Support Pension. At June 2006, there were approximately 712,000 people receiving Disability Support Pension. Between 1981 and 2006 the increase was around 490,000, or 220 per cent. Between 1992 and 2002 the annual rate of growth was around 6 per cent.¹³

While there has been a general trend in growth of the Disability Support Pension, the rates of growth over the 2004-05 and 2005-06 years (1.4 per cent and 0.7 per cent respectively) have been the lowest for over 20 years.^{14 15} This reduction perhaps reflects an impact of previous welfare reforms and provides some confidence that further reforms will reduce the growth, if not reverse it, in the near future.

The age profile of the Disability Support Pension is dominated by older recipients. In 2006 more than half - around 393,000 recipients - were aged 50 or over. In contrast, the number of recipients aged under 30 is around 78,000. This statistic is important in considering the employment prospects of recipients as well the broader impact on health and other community services.

The proportion of females in receipt of the Disability Support Pension has increased each year since 1989 and now represents 40.6 per cent of the total Disability Support Pension population. This has been attributed, in part, to an increase in qualifying age for the Age Pension for women (currently 63 years of age).

¹⁰ Australian Institute of Health and Welfare (2005) 'Australia's Welfare 2005'

¹¹ HREOC (2005) National Inquiry into Employment & Disability, Issues Paper 1

¹² Australian Institute of Health and Welfare (2005) 'Australia's Welfare 2005'

¹³ DEWR (2005a) 'Characteristics of Disability Support Pension Recipients'

¹⁴ DEWR (2005a) Ibid

¹⁵ Internal advice from Income Support Programmes Branch, DEWR, 19 October 2006

At June 2005, the three main medical conditions of those on a Disability Support Pension were musculo-skeletal and connective tissue damage (33%), psychological/psychiatric problems (26.2%) and intellectual/learning disability (11%).¹⁶

Most people entering the Disability Support Pension tend to remain on payment for long periods of time. Recent data shows that approximately 92 per cent of recipients receiving payment on 1 July 2005 were still on payment by the end of June 2006. Of those who left payment, close to 50 per cent entered the Age Pension, 28 per cent left income support and around 18 per cent died. Approximately 0.15 per cent (or 1,030 people) entered an unemployment payment.

LABOUR MARKET

Australia has enjoyed almost a decade and a half of uninterrupted economic growth, and historically strong labour market conditions. Employment growth over the 12 months to October 2006 was 245,600, or 2.5 per cent. There is now over 10 million workers in Australia. The unemployment rate, 4.6 per cent in October 2006, is at its lowest level in nearly thirty years¹⁷. Economic growth is projected to slow over coming decades because, in part, of the impact of population ageing on labour force growth. The projected slow-down makes it necessary to maximise productivity by tapping potential new sources of labour.

An ageing population, coupled with a tight labour market and skills shortages, could potentially affect all sectors of the economy over coming years. The potential shortfall in workers over the period from 2004-05 to 2009-10 is projected to be as large as 195,000¹⁸.

A number of approaches have been proposed to address the predicted labour shortfall. These approaches include creating and maintaining a more diverse workforce; retaining mature-age employees; mentoring and coaching new employees to improve their productivity; increasing education and training for existing employees; improving the work/family balance for employees to attract and retain workers with children and/or caring for elders; providing child care facilities in or near the workplace; modifying the workplace and tasks so that they can be performed by employees with various levels of disability; and health programmes to encourage and support healthy lifestyles and to promote healthy ageing. .

¹⁶ DEWR (2005a) Characteristics of Disability Support Pension Recipients'

¹⁷ Australian Bureau of Statistics (November 2006) 'Labour Force Australia, Spreadsheets' (catalogue No. 6202.0.55.001)

¹⁸ DEWR (2005d) *Workforce Tomorrow. Adapting to a more diverse Australian Labour Market at* <http://www.movingintowork.gov.au/movingintowork/Employers/WorkforceTomorrow.htm>

Despite the strong labour market conditions and measures to encourage the participation of people with disability into work, the labour force participation rate of all people with disability has fallen marginally between 1993 and 2003. In contrast, the labour force participation rate for people without disability has risen. In 2003, 53.2 per cent of people with disability participated in the labour force (i.e. employed or actively seeking work) as compared to 81 per cent of those without disability.¹⁹

Women with disability are less likely to be in the workforce than men with disability. In addition, the unemployment rate of women with disability has increased in the five years to 2003, while that for women without disability has decreased significantly.²⁰

In part, the decrease in the labour force participation rate for people with disability can be attributed to fundamental changes in the Australian labour market. In particular, low-skilled opportunities have been reduced by advances in technology, workplaces have adopted multi-skilling, and there has been an increase in the service sector, a sector often unsuitable for the employment of people with disability²¹.

A survey of approximately 1000 people in receipt of Disability Support Pension in 2004 showed that, despite the relatively low labour force participation rate, 90 per cent of respondents had had some employment experience.²² Yet, at any one time only around 10 per cent are employed. Approximately half of the total survey cohort indicated they were likely or hoping to work in the future.

EMERGING ISSUES & CHALLENGES

An inquiry by the Human Rights and Equal Opportunity Commission (HREOC) into employment and disability argued that there were three significant obstacles facing people with disability and employers:

- information—an absence of easily accessible and comprehensive information and advice
- cost—concern about the costs of participation for people with disability and the costs borne by employers when employing a person with disability

¹⁹ HREOC (2005) National Inquiry into Employment & Disability, Issues Paper 1

²⁰ *ibid*

²¹ FaCS (2003) 'Improving employment opportunities for people with a disability: Report of the review of the Employer Incentives Strategy' March

²² FaCS (2004) 'Survey of New Disability Support Pension Customers'

- risk—concern about possible financial and personal impact on people with disability and their employers.²³

These are some of the main challenges policymakers face in improving the labour market participation of people with disability. Related to this is the issue of how best to provide accessible information, advice and on-the-job support in order to overcome negative perceptions about employing people with disability and provide practical assistance to both parties if problems arise.²⁴ (These issues are discussed further in sections 1.2 and 3.2).

Another major policy challenge is to better address the needs of people with mental health problems. The number of people in receipt of a Disability Support Pension whose primary condition is a psychological or psychiatric condition has grown from 2 per cent of recipients in 1992²⁵ to 26.2 per cent in 2005. It is now the second largest primary medical condition for people on the Disability Support Pension, just behind those with musculo-skeletal and connective tissue conditions.²⁶

A 2004 survey of new recipients of the Disability Support Pension found that along with those with an intellectual/learning disability, people with a psychological/psychiatric condition experienced the highest rates of unemployment.²⁷

The Council of Australian Governments (Australian, State and Territory) has recognised that mental health is a major issue for the Australian community. While the Council has noted that governments have made significant recent investments in the area—\$3.2 billion in 2002-03—it has also noted that additional resources will be required from all governments to continue to address the issues.²⁸ The total value of measures to be implemented across all jurisdictions under the *National Action Plan on Mental Health* is \$4 billion over 5 years.

In 2002, in recognition of the significant cost and disability burden of arthritis and musculoskeletal conditions, Australian Health Ministers agreed to establish these conditions as a national health priority. The Australian Government also established the *Better Arthritis Care* initiative and the *Better Arthritis and Osteoporosis Care* initiative. In July 2005 Australian Health Ministers endorsed a National Action Plan to

²³ HREOC (2006) 'National Enquiry into Disability and Employment', Final Report

²⁴ Ibid

²⁵ FaCS (2003) 'Improving employment opportunities for people with a disability: Report of the review of the Employer Incentives Strategy' March

²⁶ DEWR (2005a) 'Characteristics of Disability Support Pension recipients'

²⁷ FaCS (2004) 'Survey of New Disability Support Pension Customers'

²⁸ COAG (2006) 'National Action Plan on Health: 2006-2011',

identify priorities for preventing and improving the management of osteoarthritis, rheumatoid arthritis and osteoporosis.

Australia's chronic disease burden and its consequent effect on disability and death are growing. In response, Australia's Health Ministers endorsed a *National Chronic Disease Strategy*. This will improve the prevention and care of chronic disease in the Australian population over the next five to ten years.

1.2 Analysis and evidence

Policy reviews and analyses

The Australian Government has undertaken several policy reviews in recent years. They have been used to inquire into, and provide advice on, the direction of welfare and participation reforms. Below are the more significant examples.

REFERENCE GROUP ON WELFARE REFORM

This group was commissioned in October 1999 to provide advice to the Australian Government on possible approaches to welfare reform. The reference group argued that patterns of welfare reliance, joblessness and disadvantage developing in Australia could consign large numbers of people to an intergenerational cycle of poverty and exclusion. The work of the review culminated in a report released in 2000 (the McClure Report) outlining a new participation support system with five key features:²⁹

- individualised service delivery
- simpler income support structure that is responsive to individual needs and circumstances
- incentives and financial assistance to encourage and enable participation
- mutual obligations underpinned by the concept of social obligations
- social partnerships for building community capacity.

The McClure Report was the foundation for the '*Australians Working Together*' reforms announced in 2001 (see Section 1.1).

SENATE INQUIRY INTO PARTICIPATION REQUIREMENTS AND PENALTIES³⁰

In 2002, the Senate of the Parliament of Australia held an inquiry into the participation requirements and compliance regime of the *Australians Working*

³⁰ http://www.aph.gov.au/Senate/committee/mentalhealth_ctte/report02/index.htm

Together package of reforms. Following submissions by members of the community and relevant experts, a number of amendments and additions were made to the proposed legislation. The final version of the legislation was implemented as the *Australians Working Together* package (see Section 1.1).

REVIEW OF THE DISABILITY DISCRIMINATION ACT³¹

In 2004, the Productivity Commission reviewed the effectiveness of the *Disability Discrimination Act* (1992). The review concluded that overall, the Act has been reasonably effective in reducing discrimination. However, not all of the Act's objectives had been achieved: in particular, people with physical disability have been helped more than those with mental or intellectual disability, and access to public transport and education has improved more than employment opportunities (see Section 4.1 for more on the *Disability Discrimination Act*).

SENATE INQUIRY INTO WELFARE TO WORK

In 2005, the Senate held an inquiry into the proposed *Welfare to Work* reforms when the bill came before the Parliament. In reviewing the submissions to this inquiry, it was noted that:

- the eligibility test for Disability Support Pension effectively encouraged many people with disability who could do some work to withdraw from the labour market
- a reduction of the work hours threshold from 30 to 15 hours per week were consistent with the recommendations of the earlier McClure Report.

The primary thrust of the recommendations was the need to change the focus from a person's incapacity to work to one which explored what their capacities to work could be.³²

NATIONAL INQUIRY INTO EMPLOYMENT AND DISABILITY

In 2005, the Human Rights and Equal Opportunity Commission (HREOC) undertook a national inquiry into employment and disability. In the first part of the commission's inquiry, three major barriers to employment of people with disability were identified (these were described in Section 1.1 under 'emerging issues and challenges'). The

³¹ Productivity Commission (2004) 'Review of the Disability Discrimination Act 1992' at

<http://www.pc.gov.au/inquiry/dda/finalreport/dda1.pdf>

³² Senate Community Affairs Committee (2005) Enquiry into Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill

http://www.aph.gov.au/Senate/committee/welfareto_work_ctte/report02/index.htm

commission also made a number of recommendations to overcome these barriers, including:

- improve effectiveness of government-funded employment service delivery to potential employers and employees
- improve transition-to-work schemes for people with disability in secondary, tertiary and vocational education and training institutions
- ensure better relationships between private sector employers and government-funded employment services.³³

HUMAN CAPITAL REFORM

In 2006, a working group of officials from Australian, State, Territory and local governments considered possible reforms in the area of human capital as part of a broader national agenda to promote workforce participation and productivity. In developing recommendations, it was noted that Australian research on the relationship between health and workforce participation shows poor health outcomes are highly correlated with lower workforce participation rates. As part of the recommendations to improve the human capital of Australia, it was recommended that all governments should work to reduce the proportion of the working-age population not participating in the workforce due to illness, injury or disability. In particular, the report recommended that prevention of chronic diseases, including mental illnesses, should be a key focus.³⁴

Program evaluations

DEWR and its predecessor departments have a history of programme evaluations, including the commissioning of independent evaluations. These evaluations have been instrumental in informing policy development and assessing programme efficiency and effectiveness.

JOB NETWORK

Since its implementation, the performance of Job Network has been comprehensively reviewed (see Section 3.1 for a full description of Job Network). An Evaluation Strategy for Job Network (the Strategy) was developed following its announcement in the 1996 Budget. The purpose of the Strategy was to assess how well Job Network was working and to provide information that would contribute to further development. The Strategy involved three reporting stages for internal evaluations, with reports released in May 2000 and 2001 and September 2002.

³³ HREOC (2006) 'National Enquiry into Disability and Employment', Final Report

³⁴ COAG (2006) 'Human Capital reform: Report of the COAG National Reform Initiative Working Group'

These evaluations included an assessment of the effectiveness of the Job Network in servicing job seekers with disabilities.

The Strategy also included an independent review of the policy framework underpinning Job Network. This review was subsequently undertaken by Australia's Productivity Commission and published in 2002.

Job Network and other aspects of the Australian labour market were also independently reviewed by the OECD in their labour market review of Australia. The findings published by the OECD in *Innovations in Labour Market Policies: the Australian Way in mid-2001*, were favourable, although the OECD suggested some areas for improvement.

The findings from the reviews and evaluations highlighted the effectiveness of the Job Network model and contributed to policy refinement through the development and introduction in 2003 of the Active Participation Model (APM). The Active Participation Model is an integrated model streamlining links across the broader recruitment industry through: the licensing of Job Placement organisations dedicated to servicing employer vacancies; Job Network members who provide early, ongoing personalised assistance to job seekers, including those with disabilities; and complementary employment and training programmes administered by the Australian, State and Territory governments which provide additional, specialised assistance.

Under the Active Participation Model, assistance is better targeted and more timely. Assistance focuses on the job seeker and their individual needs. The Model also integrates Job Network services with Mutual Obligation activities to ensure that job seekers are engaged in ongoing employment focused activity and job search.

DISABILITY EMPLOYMENT SERVICES

Evaluation of the Quality Strategy for Disability Employment Services and Rehabilitation Services (2005)

The Quality Strategy for disability employment and rehabilitation services announced in 1996 had the overall aim of improving the quality of services funded under the *Disability Services Act 1986* to assist participation of people with disability in the workforce.

The Quality Strategy has three components:

- A quality assurance system
- Continuous improvement activities
- Complaints and referrals mechanisms

The evaluation found the Quality Strategy was successful in ensuring funded services met the legislated requirement to comply with the Disability Service

Standards and had led to an increased focus on quality management in general across the sector. Funded services had made significant changes to service management and there was evidence of changes in organisational culture. Consumer involvement and consultation also improved substantially.

EVALUATION OF CASE BASED FUNDING (CBF)

This outcome based funding model linking funding to the job seeker's support needs was introduced in July 2004 for Disability Business Services and in January 2005 for Disability Employment Network, following an extensive 3 year trial and a major evaluation.

The key findings and recommendations of the evaluation of the case based funding trial indicated that case based funding was appropriate for disability employment assistance. In May 2003, the Australian Government responded directly to the main findings of the evaluation, announcing a number of measures, including

- increased funding for disability employment assistance (eg a new CBF fee structure, additional fees for rural and remote services, and work based personal assistance fees)
- a package of measures to improve the viability of business services;
- case based funding related training for service providers; and
- improved IT systems to support the introduction of case based funding.

EVALUATION OF *AUSTRALIANS WORKING TOGETHER* REFORMS³⁵

Most of the key initiatives in the *Australians Working Together* package were implemented over 2002-3. Following their implementation, data were gathered in the ensuing year to assess any immediate impact of the changes. While the time span for the evaluation was limited, some preliminary findings were:

- the rate of increase in the Disability Support Pension population slowed down after introduction
- new Disability support Pension recipients have remained heavily reliant on income support, with around 85 per cent spending the entire year on income support
- the proportion who exited payment over the year remained the same as before, around 12 per cent
- participation in paid work at some time during the year remained steady at 14 per cent before and after the new measures.

³⁵ DEWR (2005) 'Australians Working Together' Report, June at [http://www.workplace.gov.au/workplace/Category/Publications/ProgrammeEvaluation/AustraliansWorking Together-ReportNovember2005.htm](http://www.workplace.gov.au/workplace/Category/Publications/ProgrammeEvaluation/AustraliansWorkingTogether-ReportNovember2005.htm)

REVIEW OF EMPLOYER INCENTIVES STRATEGY³⁶

The Employer Incentives Strategy is a broad label for a package of schemes aimed at improving employment opportunities for people with a disability. The strategy includes:

- disability recruitment coordinator service
- supported wage system for employees who are not fully productive in open employment
- workplace modification scheme to fund modifications for people with disability
- wage subsidy scheme that provides financial incentives to employ eligible workers with a disability under normal labour market conditions.

An extensive national consultation process was undertaken to review what worked and what did not, and what employers needed to help provide people with disability with jobs. An integrated suite of measures was recommended:

- undertake a collaborative policy development and implementation process with stakeholders
- build employer awareness of the contribution people with disability can and do make
- provide targeted information, advice and support to employers
- recognise employer's performance and encourage ongoing improvement in efforts to recruit people with disability
- improve job matching services to increase mainstream recruitment of people with disability
- develop a robust means of holding work trials for employers to see, and employees to show, what they can do
- improve productivity based wage assessments
- monitor use of wage subsidies in case based funding
- improve the administration of the Workplace Modification Scheme
- encourage and support best practice among Disability Employment Service providers.

EVALUATION OF ENGAGEMENT STRATEGIES

Between December 2003 and June 2004 a pilot was conducted to explore strategies to voluntarily engage Disability Support Pension recipients with the Job Network's Intensive Support customised assistance programme in an effort to help them find

³⁶ FaCS (2003) 'Improving employment opportunities for people with a disability: Report of the review of the Employer Incentives Strategy' March

work.³⁷ The evaluation found significant disincentives and widespread ignorance of the incentives to take up work within the income support system inhibiting Disability Support Pension recipients' take up of work opportunities. A major disincentive was the fear of losing the pension and/or associated concessions, and concerns about their ability to retain the Disability Support Pension as a safety net. The evaluation found that:

- almost half of those who commenced Intensive Support customised assistance were placed in employment or education
- By June 2006, 71 per cent of participants who had secured a job sustained that employment for at least 13 weeks. Of these 70 per cent retained that same employment for 26 weeks or more
- Of the Disability Support Pension recipients who obtained a job, income support reliance was reduced from 90 per cent to 60 per cent
- placements for those with psychiatric or psychological conditions were lower than the average although, 42 per cent were still placed in employment
- the key factor driving the probability of obtaining employment was found to be recent work history
- experience with employing a person with a disability tended to impact positively on employer attitudes although employers generally required assistance to take steps towards hiring people with disability.

A second pilot was conducted between April and June 2005 to explore ways of improving the early engagement of people with a disability and of assessing their work capacity.³⁸ This pilot tested a consolidated assessment approach that enabled direct referral to interventions and assisted with early engagement. It found that:

- combining an holistic assessment with remedial interventions facilitated the tailoring of referrals to interventions
- the faster, direct connection with assistance helped keep people involved in the process and improved the job seeker's motivation
- referral rates for assistance were substantially improved.

EVALUATION OF 2005-6 REFORMS

As the *Welfare to Work* reforms, outlined at 1.1, were implemented on 1 July 2006 it is too early to assess their impact.

³⁷ DEWR (2005e) 'Job Network Disability Support Pension Pilot: Progress Report'

³⁸ DEWR (2005f) 'Early Intervention and Engagement Pilot: Evaluation Report'

Research on disability and labour market relationships

Compilations of Australian Government statistics give some descriptive data on movements into and out of the Disability Support Pension:³⁹

- of people receiving Disability Support Pension in June 2005 who were not receiving the payment 12 months earlier, over half came from other income support payments while 45 per cent had not had any income support
- the number of people who were in receipt of Disability Support Pension at June 2004 but were not by June 2005, increased by 21 per cent over the previous 12 month period; with over half transferring to the Age Pension.

Other data document the reasons for exiting the labour market for those in the pre-retirement decade of 55-64 years of age.⁴⁰ These data show:

- the most frequent reason for leaving a job in the past nine years was disability or ill health (28%)
- relatively few people who left because of disability or ill health sought a new job (17%)
- significantly more women (21%) than men (8%) left for personal reasons, such as taking a break, for family, or moving to a new location.

2. Income and other support programmes

2.1 Programme characteristics

Responsibility for income support policy and delivery in Australia resides predominantly at the Australian Government level. Pensions, Benefits and Allowances are funded through general revenue and are paid at flat rates, subject to means testing and other eligibility criteria. Most Australian Government income support payments are administered and delivered through a central agency, Centrelink, located under the umbrella of the Department of Human Services. The Department of Veteran's Affairs is responsible for the delivery of payments to service veterans and their partners.

Under the *Social Security (Administration) Act 1999*, all decisions made by Centrelink can be subject to review by the Social Security Appeals Tribunal. Applicants can ask the tribunal to review a Centrelink decision not to grant a

³⁹ DEWR (2005a) 'Characteristics of Disability Support Pension Recipients',

⁴⁰ FaCS (2003) 'Submission to the Senate Select Committee on Superannuation Inquiry into Planning for Retirement' April

pension, benefit or allowance; about the rate of entitlement paid; the suspension or cancellation of an entitlement; or issues to do with overpayments and repayments.⁴¹

Under the *Veterans' Entitlements Act 1986*, the *Safety, Rehabilitation and Compensation Act 1988* and the *Military Rehabilitation and Compensation Act 2004*, there is also provision for review of decision using the same review mechanism.

Main support for people with disability

DISABILITY SUPPORT PENSION

To qualify for Disability Support Pension a person must be 16 or over and be under Age Pension age (currently 63 for women and 65 for men); and

- be permanently blind; or
- participating in the Supported Wage System; or
- have a physical, intellectual or psychiatric impairment (assessed at 20 points or more under the impairment tables) that prevents them from working 15 hours or more per week at or above the relevant minimum wage; and
- have become unable to work while in Australia, or have 10 years qualifying Australian residence

People on a Disability Support Pension receive:

- fortnightly Disability Support Pension
- Pharmaceutical Allowance
- Pensioner Concession Card

In addition, they may be eligible for Rent Assistance, Mobility Allowance, Pensioner Education Supplement, Employment Entry Payment, Remote Area Allowance, Telephone Allowance or the Work for the Dole Supplement.

This pension is subject to an income and assets test, however people who are permanently blind are, with some exceptions, exempt from the income and assets test,

NEWSTART ALLOWANCE

Newstart Allowance assists people while they are looking for work and supports people to take part in activities designed to increase their chances of finding work. Recipients must be between 21 and 64 years of age. All Newstart Allowance recipients have participation requirements, including people with disability. Job seekers with a temporary incapacity may be exempt from requirements for a

⁴¹ <http://www.ssat.gov.au/iNet/ssat.nsf/pubh/introductiontothessat.2.0>

maximum of 13 weeks. Subsequent exemption periods up to a maximum 13 weeks may be granted with appropriate medical certification.

From 1 July 2006, people who can work 15 or more hours per week are eligible for Newstart or Youth Allowance. If their disability prevents them from working 30 hours or more per week without any assistance or services to maintain employment within the next 2 years (partial capacity to work), they are subject to more generous conditions and participation requirements than people with full time work capacity. Formerly this group would have been eligible for Disability Support Pension.

Job seekers with a partial capacity to work receive the Pensioner Concession Card with access to pharmaceutical and other concessions available to card holders. Additionally, they will be able to keep their Pensioner Concession Card for 12 months if they lose their entitlement to Newstart or Youth Allowance because of employment. A job seeker who is assessed as having a partial capacity to work will have activity test requirements which match their assessed capacity to work.

People on Newstart Allowance receive:

- fortnightly Newstart Allowance

In addition, they may be eligible for Rent Assistance, Mobility Allowance, Pensioner Education Supplement, Remote Area Allowance, Telephone Allowance, Pharmaceutical Allowance, Work for the Dole Supplement, Employment Entry Payment, Education Entry Payment, Health Care Card or Pensioner Concession Card.

This allowance is subject to an income and assets test.

YOUTH ALLOWANCE

Youth Allowance provides assistance for people aged 16 to 24 who are studying full-time, or undertaking a full-time Australian Apprenticeship, or aged 16 to 20 who are looking for work (the payment for job seekers is known as Youth Allowance (other)). Youth Allowance may also provide assistance for youth who are ill, temporarily incapacitated or have a partial capacity to work, or are the principal carer of a dependent child. Youth Allowance for people with a disability is subject to the same participation requirements as Newstart Allowance.

People on Youth Allowance receive:

- fortnightly Youth Allowance
- Health Care Card

In addition, they may be eligible for Rent Assistance, Pharmaceutical Allowance, Mobility Allowance, Pensioner Education Supplement, Employment Entry Payment, Remote Area Allowance, Telephone Allowance, Work for the Dole Supplement, Carer's Allowance.

Parents'/guardians' or partner's income and assets may affect eligibility.

Income support/Compensation for veterans and partners/war widows

SERVICE PENSION – INVALIDITY AND PARTNER

Service Pension is subject to means testing, unless the recipient is blind. Service Pension paid on the basis of invalidity is not taxable.

Invalidity Service Pension may be paid to a veteran with qualifying service, who is permanently incapacitated for work and is under Age Pension age (currently 63 for women and 65 for men). A veteran is permanently incapacitated for work if:

- permanently blind in both eyes; or
- in receipt of the Special (Totally and Permanently Incapacitated (TPI)) Rate of Disability Pension; or
- has disability/ies that permanently prevents the veteran from working.

Partner Service Pension is paid to the partners of veterans if:

- they are at least 50 years of age; or
- they have dependent children; or
- the veteran receives the Special (TPI) Rate of Disability Pension; or
- the veteran is receiving or eligible to receive a Special Disability Pension under the *Military Rehabilitation and compensation Act 2004*.

INCOME SUPPORT SUPPLEMENT (ISS)

ISS is subject to means testing, unless the recipient is blind. ISS paid on the basis of permanent incapacity is not taxable.

War widows and war widowers may be eligible for ISS irrespective of age if they are:

- permanently blind or permanently incapacitated and unable to work;
- have a dependant child or children; or
- the partner of a person who is receiving an income support pension from either DVA or Centrelink.

People on Service Pension and ISS receive:

- a fortnightly payment
- Pharmaceutical Allowance
- Pensioner Concession Card.

In addition, they may receive rent assistance, telephone allowance, remote area allowance, utilities allowance

DISABILITY PENSION (VETERAN) (PRE-JULY 2004)

This pension is paid to compensate veterans for injuries or diseases caused or aggravated by war service or certain defence service rendered on behalf of Australia before 1 July 2004. Disability Pensions are paid at various rates: the Special (TPI) Rate, Intermediate Rate, Extreme Disablement Adjustment, and the General Rate. The higher Special (TPI) and Intermediate Rates of Disability Pension are paid if a veteran is unable to work more than 8 hours or 20 hours a week, respectively. Additional allowances may be payable under the Veterans' Entitlements Act 1986 (VEA) for specific purposes relating to war-caused or defence-caused injuries and diseases.⁴²

Veterans may also be entitled to a disability pension if they served with a Commonwealth or allied country and lived in Australia before they enlisted.

Under the *Safety, Rehabilitation and Compensation Act 1988* (SRCA), weekly incapacity to work payments may be payable. In the event of permanent impairments, additional lump sum payments may be paid under the *Defence Act 1903*.

MILITARY REHABILITATION AND COMPENSATION SCHEME (AFTER JULY 2004)

Veterans with an injury or disease caused or aggravated by service rendered on or after 1 July 2004 are eligible to claim for disability compensation under the *Military Rehabilitation and Compensation Act 2004*.

This compensation scheme provides rehabilitation, treatment and compensation for Australian Defence Force members who suffer mental or physical injury or contract a disease as a result of service on or after 1 July 2004. The Act has a strong emphasis on rehabilitation and return to work programs for serving and former Defence Force members. This involves the engagement of professional rehabilitation providers to undertake assessments and deliver approved rehabilitation programs, including work trials and placements.

The Act also provides compensation to their eligible dependants if their death is related to service on or after 1 July 2004, if they were entitled to maximum permanent impairment compensation, or had been eligible for a Special (T&PI) Rate Disability Pension.

This scheme is administered by the Department of Veterans' Affairs. However, serving Permanent Force members or Reserve members on continuous full-time service, will have some entitlements, such as rehabilitation and ongoing medical treatment, provided by the Australian Defence Force.

⁴² http://www.mrcs.gov.au/plain_english/plain_english.htm

Other allowances

SICKNESS ALLOWANCE

Sickness Allowance provides assistance for people who are employed but are temporarily unable to work due to a medical condition. Recipients must have exhausted their statutory sick leave entitlements and have a job to return to. In some situations, full-time students may also qualify for Sickness Allowance. Sickness Allowance is not a long-term payment and is not available to job seekers on Newstart or Youth Allowance.

People on Sickness Allowance receive:

- fortnightly Sickness Allowance
- Pharmaceutical Allowance
- a Health Care Card.

In addition, they may be eligible for Rent Assistance, Mobility Allowance, Remote Area Allowance, Telephone Allowance.

This allowance is subject to an income and assets test.

MOBILITY ALLOWANCE

Mobility Allowance provides assistance to people with disability who are engaged in certain activities such as paid employment, voluntary work, vocational training, undertaking independent living/life skills training or a combination of any of these activities and who are unable to use public transport without substantial assistance because of their disability.

People on Mobility Allowance receive:

- fortnightly Mobility Allowance
- a Health Care Card if they are not getting any other payments from the Australian Government.

Mobility Allowance is not subject to an income or assets test and is not taxable.

Two rates of Mobility Allowance are available. A higher rate is available for people working 15 hours or more or looking for such work under an agreement with an employment service provider.

CARER PAYMENT

Carer Payment is an income support payment for carers who, because of the demands of their caring role, are unable to support themselves through substantial workforce participation. It is subject to an income and asset test and is paid at the same rate as other social security pensions. A person cannot receive Carer Payment

and another income support payment at the same time. It is paid to carers providing constant care to:

- an adult with a disability, severe medical condition, or who is frail aged and has a minimum level of care needs as assessed by the Adult Disability Assessment Tool, completed by the carer and a health professional;
- a person whose care needs are less severe but who also has a dependent child requiring care;
- a child under 16 years of age with a profound disability; or
- two or more children under 16 years of age who, together, need a level of care that is at least equivalent to the level of care needed by a child with a profound disability.

Carers may cease to provide constant care to participate in training, education, unpaid voluntary work or paid employment for up to 25 hours per week without losing eligibility for Carer Payment.

People on Carer Payment receive:

- fortnightly Carer Payment
- Pensioner Concession Card
- up to 63 days respite without affecting payment

In addition, they may be eligible for Rent Assistance, Pharmaceutical Allowance, Remote Area Allowance, Telephone Allowance, Mobility Allowance, Pensioner Education Supplement, Education Entry Payment.

If the person who is being cared for dies, then their carer on Carer Payment may:

- receive a lump sum bereavement payment, if the person they were caring for is their partner
- continue receiving Carer Payment for up to 14 weeks.

CARER ALLOWANCE

Carer Allowance is an income supplement that recognises the impact of the caring role on carers. To be eligible for the allowance, a carer must be providing daily personal care and attention, in a private home, to a person with a disability, severe medical condition or who is frail aged.

Carer Allowance is not income or asset tested and is not treated as income for taxation purposes. It can be paid in addition to an income support payment. Carer Allowance can be paid for up to two adults who receive daily care and attention, or any number of dependent children.

WIFE PENSION (DSP)

Wife Pension is gradually being phased out. It used to be available to the female partner of a Disability Support Pensioner or Age Pensioner. New grants of Wife Pension stopped on 1 July 1995. However, those receiving Wife Pension before that date can continue to receive the payment until they are transferred to the Age Pension. Wife Pension is not activity tested.

Other support programmes

HEALTH AND HEALTHY AGEING SUPPORT

It is recognised that in addition to the direct health benefits to individuals, reducing sickness and chronic disease will produce a greater capacity for workforce participation and high productivity in the workforce. Relevant programs include:

Promoting Good Health, Prevention and Early Intervention (Australian Better Health Initiative) which aims to help people make better lifestyle choices and reduce the impacts of chronic disease by: promoting healthy lifestyles; supporting early detection of lifestyle risks and chronic disease; supporting lifestyle and risk factor modification; and encouraging active patient self management of chronic disease.

COAG Mental Health Package which provides assistance to people who are living with mental illness, their families and carers, and includes a national information campaign to raise awareness of the links between illicit drug use and mental illness.

Population health programs such as those for cancer screening, immunisation, nutrition and physical activity.

Targeted programs such as the national eye health initiative, hearing services and the continence aids assistance scheme.

The promotion of healthy ageing for Australians of all ages is critical to increasing economic and social participation, preventing the burden of chronic conditions, and reducing the risk of disability in older populations.

The Australian Government is committed to enabling all older Australians to enjoy active, healthy and independent lives by encouraging positive approaches to ageing and by removing barriers to economic and social participation. Australia adheres strongly to the United Nations society for all ages principle, because ageing will touch everyone in society.

Reducing the risk factors associated with chronic conditions – tobacco and excessive alcohol use, poor nutrition, lack of physical activity and obesity – is critical. Chronic non-communicable diseases are now responsible for up to 70 per cent of the total burden of disease in Australia.

Under the *National Health Priority Areas* initiative, the Australian, state and territory governments have agreed to work together with clinical and consumer groups to develop strategies to improve community health outcomes in these areas. The following conditions have been identified as National Health Priority Areas: cardiovascular disease and stroke; certain cancers; injury prevention; mental health (focusing on depression); diabetes mellitus; asthma; and, more recently, musculoskeletal conditions, including arthritis.

Other major healthy ageing initiatives introduced by the Australian Government include:

National Chronic Disease Strategy (NCDS): a framework endorsed by Australian Health Ministers for improving chronic disease prevention and care nationally. It identifies a number of key directions in the areas of prevention, early detection and early treatment, integration and self-management. Obesity and physical inactivity are identified in the strategy as risk factors for several chronic diseases and conditions.

National Service Improvement Frameworks (NSIFs): Focusing on primary and secondary prevention within the health system, the NSIFs address asthma; diabetes; heart, stroke and vascular disease; and osteoarthritis, rheumatoid arthritis and osteoporosis.

National Strategic Framework for Aboriginal and Torres Strait Islander Health: The framework draws together nationally agreed strategies to address specific health problems; state and territory health policies and plans; and the national collaborative policy and planning framework within which Aboriginal and Torres Strait Islander health programs are managed today. It also identifies the key priorities that must be addressed within the health and community services systems.

National Injury Prevention Plan: 2004 Onwards: The plan establishes a framework for the injury prevention activities of governments, communities and individuals.

Focus on Prevention Package: The 'Community Awareness and Infrastructure' component of the package aims to help raise the awareness of the role of health professionals in prevention, and build a national approach to lifestyle prescriptions. Advice provide advice about quitting smoking, increasing physical activity, eating a healthier diet, maintaining healthy weight, reducing alcohol consumption, or a combination of these.

Be Active Australia: a Framework for Health Sector Action for Physical Activity 2005–2010: Older Australians are a priority population group in the framework, which will address workplace programs; support the coordinated development and expansion of lifestyle prescriptions that are related to physical activity; advocate inclusion of best practice standards into aged care accreditation and funding frameworks; develop guidelines for physical activity for older people; and explore training of non-health workforce and interested community members in physical activity programs that target older people

Public Health Action Plan for an Ageing Australia: The plan targets physical activity (including healthy weight); nutrition (including oral health and healthy weight); mental health and social isolation; medication management; special groups (Aboriginal and Torres Strait Islander peoples, isolated groups, those with a disability, culturally and linguistically diverse groups, and people with dementia); and information analysis and marketing.

Enhanced primary care plans: Since 1 January 2006, exercise physiologists are among the allied health professionals able to provide Medicare services to people with chronic and complex illnesses. Including exercise physiology services under the Medicare allied health initiative means patients will have greater access to professional services for physical rehabilitation and disease prevention.

Smoking, Nutrition, Alcohol and Physical Activity (SNAP) Risk Factor Framework for General Practice: The framework is an initiative of the Joint Advisory Group on General Practice and Population Health, which aims to improve health outcomes in the community by supporting and enhancing the role that general practice plays in increasing levels of good nutrition and physical activity and decreasing smoking prevalence and alcohol misuse.

Healthy Weight 2008: Australia's Future – the National Action Agenda for Children, Young People and their Families: Developed by the National Obesity Taskforce, several prevention initiatives targeting adults have been implemented under this plan including a national fruit and vegetable promotion campaign which aims to encourage Australians to increase their consumption to two serves of fruit and five serves of vegetables each day, as outlined in the Australian Dietary Guidelines, and the redesign of Physical Activity Guidelines for adults.

Healthy Eating and Regular Physical Activity – Information for Australian Families: As part of the Building a Healthy, Active Australia Initiative, \$11 million has been provided to give Australian families practical help and information about how to make healthy eating and physical activity part of their everyday lives.

2.2 Recent reforms

The most recent reforms (Welfare to Work) were discussed in section 1.1 and their implications in terms of pensions and allowances detailed in 2.1 above. In summary, the latest reforms are characterised by the following changes.

Stronger focus on participation

The Australian Government recognises that workforce participation brings not only the economic benefit of a regular income and contribution to superannuation, but also the social benefits of engagement in the community. Welfare to Work reforms increased the participation requirements for parents with children over the age of 6, people with disability, mature age workers and very long-term unemployed job

seekers. As a result of becoming eligible for unemployment payments, parents and people with disability also became eligible for Mutual Obligation requirements.

Eligibility for disability support is linked to work capacity

Prior to Welfare to Work eligibility for Disability Support Pension was granted if, among other things, there was an inability to work full time (i.e. for 30 hours per week or more) in open employment. Welfare to Work tightened this eligibility criterion by taking into account a person's capacity to work part-time. From July 2006, people with disability who have the capacity to work 15 hours or more a week, within a two year period, at the relevant minimum wage in the open labour market, receive job seeker payments—Newstart Allowance or Youth Allowance (Jobseeker) and are required to undertake job search activities. This includes job seekers who can work within a two year period with specialist employment assistance, such as vocational rehabilitation.

To increase the work incentives for people on Disability Support Pension recipients who find work can leave the job for any reason within two years and retain eligibility for payment. Prior to Welfare to Work, DSP recipients could only leave a job if it was due to their disability.

New compliance regimes

New compliance regimes apply to Newstart Allowance and Youth Allowance (Job Seeker) recipients. The new arrangements are intended to encourage participation by giving job seekers an opportunity to re-engage with their requirements before a penalty is applied. This may include payment suspension until a job seeker recomplies. Only when a job seeker has demonstrated deliberate non-compliance is a penalty applied.

Social security law provides for various circumstances in which job seekers are temporarily exempt from participation requirements or qualify for reduced participation requirements. These circumstances include temporary incapacity, pregnancy, living in a remote area or other special circumstances. A full exemption cannot be applied for longer than 13 weeks, however, under certain circumstances or appropriate medical documentation, more than one exemption period can be granted.

Improvements to Newstart/Youth Allowance

The improvements enable people working part time to keep more of their payments by reducing the Allowance withdrawal rate; extend eligibility for Pensioner Concession Card, Pharmaceutical Allowance and Telephone Allowance to recipients of these payments with disability; and introduce a higher rate Mobility Allowance for recipients with disability working 15 hours or more per week.

Greater assistance

More assistance is available to aid people with disability into the workplace. This includes more places in both supported and open employment, to the introduction of

Job Capacity Assessments to accurately identify barriers to participation and refer people to employment and related services, more places available in vocational rehabilitation and the Personal Support Programme, and a higher rate of Mobility Allowance for job seekers working 15 hours or more or looking for such work under an agreement with an employment services provider (See Section 3 for more information on services).

2.3 Relationship between income support payments

The unemployment–disability cycle

Some data on relationships between income support payments was described in the previous Evidence section, 1.2. There it was shown that a significant number of people move from other income support payments onto the Disability Support Pension. However, the relationships between programmes have changed with the recent reforms to eligibility for various income support programmes. As of July 2006, some people who would have been eligible for a Disability Support Pension are now eligible for one of the two jobseeker allowances—Newstart or Youth Allowance.

It will take some time for the full effects of these changes to be known but it is expected that inflows into the DSP will reduce while in the short-term there may be an increase in Newstart and Youth Allowance (other). However, the number of income support recipients in total is expected to decrease with the ‘work first’ focus of Newstart and Youth Allowance and the increased exits and workforce attachment of people with disability. Financial self-reliance is also expected to increase as more people take up part-time work according to their capacity and reduce their need for income support.

Disability and early retirement

Australia has a retirement income system that consists of:

- compulsory employer superannuation contributions
- voluntary superannuation and other private savings of the employee
- social security payment in the form of the Age Pension for men at 65 years of age and women at 63⁴³ years of age for those in need as assessed by an income and assets test.⁴⁴ The age pension age reflects community standards relating to retirements and is changing over time for women.

⁴³ Depending on their date of birth, women qualify for Age Pension at different ages. By 2014, the minimum qualifying age for women will be 65 years, making it the same for everyone.

⁴⁴ FaCS (2003) ‘Submission to the Senate Select Committee on Superannuation Inquiry into Planning for Retirement’ April

SUPERANNUATION

Superannuation can generally only be accessed once a person reaches their 'preservation age' (this is currently 55 but phasing up to 60 between 2015-2025). However, benefits may also be paid before preservation age if the person is permanently incapacitated (that is, suffer from ill health which makes it unlikely they will be able to be engaged in gainful employment for which they are reasonably qualified). In the event that such payments are made they receive concessional taxation treatment. Benefits may also be paid early in certain other limited circumstances, such as severe financial hardship (no more than \$10,000 allowed in any 12 month period) and in a limited number of compassionate circumstances.

An individual can apply to their superannuation fund's trustee for release of benefits on the grounds of severe financial hardship; or alternatively, apply to the Australian Prudential Regulation Authority (APRA) for release on compassionate grounds.

2.4 Occupational schemes

The only occupational scheme appropriate to work-related injuries are the workers' compensation schemes governed primarily at a state/territory level and a national level scheme for Australian and ACT Government employees and employers.

Under the legislative frameworks of each State and Territory, it is compulsory for all employers to pay an insurance premium to cover the possibility of an employee being injured at work. It is also compulsory for employers to notify the relevant state authority whenever an accident occurs.

There are 10 schemes operating within Australia. As workers' compensation is only available to employees, it is estimated that around 85 per cent of workers are covered by workers' compensation.

Each state's workers compensation legislation sets out the monetary benefits for different injuries and their circumstances, the procedures for obtaining those benefits and for the effective management of injuries. The legislation will vary between the different states and comparisons are available from the Heads of Workers' Compensation Authorities.⁴⁵

However, while there may be differences, the guiding principle of the legislation is shared by all jurisdictions. In general, workers compensation legislation is intended to support workers through clear injury management and rehabilitation guidelines, enabling the worker to make a speedy return to work.⁴⁶

⁴⁵ Heads of Workers Compensation Authorities (2005) 'Comparison of Workers' Compensation Arrangements: Australia and New Zealand' at www.hwca.org.au/documents/comparison2005.pdf

⁴⁶ www.workcover.nsw.gov.au/WorkersCompensation/WorkplaceInjuries/Benefits/default.htm

Depending on the individual claim and the type, nature and severity of the injury, an injured worker may be eligible for the following benefits:⁴⁷

- weekly benefits
- permanent impairment benefits
- fees for medical or related treatment.
- maximum amounts and prescribed rates for other benefits (eg. ambulance treatment, damage to clothing, damage to artificial aids, car travel expenses)
- death benefits and funeral expenses
- common law damages. A common law claim is made when an injured worker sues their employer in court for damages. There may be criteria for common law claims: eg. the worker must demonstrate negligence of the employer or a fellow employee; the injured worker must have a permanent impairment (there may be a minimum level of impairment required); the claim may have time limitations (eg. cannot begin before 3 months after notification of injury and/or determined before 3 years post notification of injury).
- commutations—an injured worker's entitlement to workers' compensation benefits paid out as a lump sum of money.

In 2004, some 144,000 people received workers' compensation payments for claims involving one or more weeks of lost time out of a workforce of around 10 million workers. It is estimated that \$162 million is spent by workers' compensation schemes on vocational rehabilitation services. This comes out of the \$7.5b paid by employers for workers' compensation.⁴⁸

3. Employment support programmes

3.1 Programme characteristics

The Australian Government funds some \$6 billion worth of employment services. Many Government funded services are delivered through outsourced arrangements by a range of private organisations. Non-Government Organisations (NGOs) play an active role in Australia's employment services market/sector.

The Job Seeker Classification Instrument (JSCI) is a profiling tool used by Centrelink and Job Network providers to assist in identifying barriers faced by job seekers. It involves a series of questions based on 15 factors that have been identified as contributing to a job seeker's chances of becoming long-term unemployed. Australia

⁴⁷Ibid

⁴⁸ DEWR (2006) Internal data provided by the Office of the Australian Safety and Compensation Council.

has been unique in using JSCI as a tool to stream job seekers into the most appropriate Job Network service and to identify job seekers who face significant barriers to gaining employment that require professional assessment through a Job Capacity Assessment.

Job Capacity Assessments

People with disability applying for income support or job seekers who need professional assessment to determine the type of assistance required, are referred by Centrelink or their Employment Service Provider to undergo a Job Capacity Assessment (JCA). A JCA is a comprehensive assessment of the person's ability to work. The assessment identifies any barriers to work and any interventions that may be needed to help the applicant overcome those barriers. If the person has a medical condition or disability, the assessment will also establish the individual's work capacity and ongoing support requirements.

About 80 per cent of Job Capacity Assessments are undertaken by three government agencies (Centrelink, Health Services Australia and CRS Australia) with the remaining 20 per cent undertaken by 15 non-government providers contracted as a result of a competitive open tendering process undertaken by the Department of Human Services in late 2005. The Government announced that it intends to tender for all elements of Job Capacity Assessments no later than July 2008.

The assessment process enables the assessor to recommend the most suitable type of servicing (pre-vocational or employment) for each job seeker. The Assessor will refer and in most cases book the job seeker into their first appointment with a service within a few days. Within the service type the job seeker is able to choose which service provider will assist them. The major categories of services to which Job Capacity Assessors will refer people are: the Job Network, Disability Employment Network, Vocational Rehabilitation and the Personal Support Programme.

Job Capacity Assessors can also recommend further referrals to a wide range of other services (such as language literacy or business services) that may help the person with disability maximise his/her ability to work.

Alongside the introduction of the Job Capacity Assessment was introduced the Job Capacity Account. This programme is for job seekers who may be assessed by a Job Capacity Assessor as almost ready for referral to the Job Network once they have undergone a short term intervention to address their job barriers. The Job Capacity Account provides funding for Job Capacity Assessors to send job seekers to a short-term pre-vocational intervention to help them become job ready. The Job Capacity Assessor is able to access the account to refer job seekers to:

- cognitive behaviour therapy
- behaviour management and modification interventions
- pain management programmes

- counselling programmes such as motivational interviewing
- social case work support and intervention.

Disability Employment Network

Disability Employment Network is a national network of community and private organisations that assists people with disability in seeking employment. Under section 8 of the *Disability Services Act 1986*, these services are to assist people with disability that:

- is attributable to an intellectual, psychiatric, sensory or physical impairment or combination of such impairments
- is permanent or likely to be permanent
- results in substantially reduced capacity of the person for communication, learning or mobility
- needs ongoing support for at least 6 months after job placement

The Disability Employment Network programme offers a range of support and assistance designed to meet individual needs, including:

- professional recruitment advice
- on-the-job or off-site support to ensure new employees with disability settle into their job
- assistance with job design
- assistance with developing job descriptions
- training information and awareness raising activities for people with disability and their co-workers
- provision of on-the-job training and support to employees with disability
- job in jeopardy assistance, where there is a risk of the employee losing their job because of their disability
- intermittent support on the job to help with disability.

A case-based, or fee-for-service, funding model was introduced in July 2005. The fees are based on job seekers' support needs and their employment outcomes, and include additional fees for providing more support to job seekers at risk of not reaching an employment outcome (eg. people with a psychiatric disability).

A new quality assurance system was introduced in 2002 which requires all Australian Government funded Disability Employment Network providers to meet 12 legislated service standards covering employment conditions, governance and prevention of neglect and abuse. Without this certification the Disability Employment Network providers will not be funded.

The Disability Employment Network programme has two streams, capped and uncapped. The Disability Employment Network capped stream provides services to job seekers with an assessed work capacity of eight or more hours per week that require either long-term support in the workplace and/or are unable to work at award wages. They may be supported by Disability Employment Network in work for as long as they require employment support. The Disability Employment Network demand driven uncapped stream, which commenced on 1 July 2006, provides services to job seekers with a part-time participation requirement, who have an assessed work capacity of 15 to 29 hours per week at award wages and who are assessed as able to become independent in the workplace with two years of assistance.

Vocational Rehabilitation

Vocational Rehabilitation Services provide a comprehensive intervention, combining vocational rehabilitation with employment assistance. These services assist people who have an injury, disability or health condition to work independently in the open labour market.

Under section 18 of the *Disability Services Act 1986* (Part III), Vocational Rehabilitation Services are available to assist people who:

- are between 14 and 64 years of age
- have a disability that is attributable to an intellectual, psychiatric, sensory or physical impairment or combination of such impairments that results in substantially reduced capacity of the person to obtain or retain unsupported paid employment or to live independently.

Vocational Rehabilitation Services are tailored to individual needs and can include:

- assessment of the impact of a job seeker's injury, disability or health condition on their ability to participate in employment
- vocational rehabilitation and other allied health interventions
- developing goals to manage a disability and achieve employment
- vocational counselling and planning to identify a safe, suitable and sustainable work options
- counselling regarding disability issues
- employment assistance including preparation of vocational profiles and resumes on Australian Job Search website, job application and interview skills and training
- job seeking and job placement assistance
- workplace assessments or modification, including assisting employers to access the Workplace Modifications Scheme (see below).

Most people accessing Australian Government funded vocational rehabilitation services are on income support, with the majority on Newstart Allowance. CRS Australia, an Australian Government agency which operates within the Department of Human Services, is currently the sole provider of these services. CRS Australia operates in about 176 locations across Australia. From 1 July 2007, a proportion of services will be delivered through contracts with new non-government (both for profit and not for profit) organisations.

A new quality assurance system was introduced in 2002 which requires all government funded vocational rehabilitation providers to meet 12 standards covering employment conditions, governance and prevention of neglect and abuse. Without this certification the providers will not be funded.

Vocational rehabilitation has two streams, fixed and demand driven. The fixed stream provides services to individuals having 8 - 14 hours or greater than 30 hours work capacity per week. The demand driven stream which commenced on 1 July 2006 provides services for individuals having a work capacity of between 15 and 29 hours per week. The average rehabilitation programme is nine months, although there is no specified limit within the total funding allocation to the time that can be spent in the programme. Nor is there a limit to the amount of funding that can be spent on an individual while in a vocational rehabilitation programme. However, CRS Australia is limited in the total amount of funding it receives for all of its job seekers.

Job Network

Job Network, established in 1998, is the largest provider of Australian Government employment services. It aims to help job seekers into sustainable employment, increase workforce participation and reduce welfare dependency. Job Network comprises around 100 contracted providers across Australia from over 1100 sites and currently assists around 800,000 job seekers.

The majority of Job Network providers offer generalist services to all eligible job seekers across all client groups. A number of providers operate specialist services tailored to specific client groups, such as people with a disability.⁴⁹ Providers are paid a mix of service fees, job placement fees and sustainable job outcome fees that increase with the level of disadvantage and duration of unemployment of the job seeker.

Under the Welfare to Work reforms, Job Network has an increased role in assisting people with a disability to look for part-time work opportunities. Job Network is currently assisting around 130,000 job seekers with a disability. This number

⁴⁹ There are 11 Job Network members, operating out of 28 sites, who provide specialist services for people with a disability, mental health condition or illness.

(around 16% of all job seekers) is expected to increase with the inflow of people with a partial work capacity accessing mainstream employment assistance.

Job Network services are available to eligible job seekers for the entire period of their unemployment. Job Network can help people to develop their resume, apply for jobs, improve their interview skills and promote their skills to employers and build their self confidence. Assistance is tailored to individual needs based on the level of disadvantage in the labour market and duration of unemployment.

Australia uses a profiling tool - the Job Seeker Classification Instrument (JSCI) –to objectively measure job seeker’s relative labour market disadvantage and to identify those likely to become long-term unemployed. Depending on the circumstances of the job seeker and their barriers to employment, services can include job search training, vocational training, subsidised employment, career counselling and participation in other complementary employment and training.

Included are periods of Mutual Obligation activities designed to ensure workforce participation. Job Network providers case manage job seekers through these services and other complementary services provided by Commonwealth, State and Territory providers. Job seekers with a disability may also participate in pre-vocational and specialist disability services prior to being assisted by Job Network to help them become job ready.

A Job Capacity Account also provides short-term assistance for job seekers in Job Network with a disability to help with pre-vocational barriers such as counselling, cognitive behaviour therapy and pain management. Job Network members also assist employers to access the Workplace Modifications Scheme for reimbursement of costs required to adjust workplaces to suit people with a disability.

The main Job Network services include:

- Job Placement – a professional recruitment service for employers delivered by Job Placement License Organisations and Job Network providers who seek and lodge vacancies on Australian JobSearch - the national vacancy database;
- Job Search Support - targeting the short-term unemployed and less disadvantaged – provides job search advice, lodgement of resumes on JobSearch and automatic job matching to suitable vacancies;
- Intensive Support services - for job seekers receiving income support and young people not on income support. Services include Job Search Training, case management meetings with providers and customised assistance (ISca). ISca is a more intensive form of assistance delivered over six months including special training to prepare for work, counselling and work experience. It is usually available after 12 months unemployment, or immediately, for those assessed as “Highly Disadvantaged” by the JSCI. The Job Seeker Account can be used to purchase a range of additional employment related assistance

such as work related training, wage assistance, transport, work clothing and relocation assistance.

- Other services include, Employment Preparation (for parents, carers and mature age workers returning to the workforce); and Wage Assist (a wage subsidy), full-time Work for the Dole (for the very long-term unemployed) and post placement support for up to six months following job placement.

Personal Support Programme

The Personal Support Programme bridges the gap between crisis assistance and employment assistance programmes. The programme assists people whose non-vocational barriers (such as homelessness, mental health issues, drug or gambling problems, or social isolation) prevent them from getting a job or benefiting from employment assistance services.

The programme is open to people of workforce age receiving income support, as well as those aged 15-20 who do not receive any payment but are registered as job seekers with Centrelink. Centrelink assesses eligibility for the programme and priority is given to people on payments that have an activity test requirement. The programme assisted 45,000 participants in 2004-05.

There are 148 organisations funded to deliver Personal Support Programme services. Around 40 per cent of Personal Support Programme providers offer specialist assistance targeted to, for example, people with mental health issues, ex-offenders or people facing drug and alcohol issues. There are approximately 60 sites (10%) registered as having a speciality in mental health and 10 sites registered as having a speciality in physical/intellectual disability.

Services from a Personal Support Programme provider are available for up to two years. The maximum funding available per Personal Support Programme participant is \$3,300 over two years. The Personal Support Programme is case base funded and providers allocate their funding to staffing, operational and administration costs.

Disability Business Services

Formerly known as sheltered workshops, Disability Business Services provide meaningful paid employment for people with disability who may find it difficult to obtain or maintain employment in the open labour market without ongoing assistance in the workplace.

Although the focus of Disability Business Service is employment of people with a profound or severe core activity limitation, the eligibility requirements to access these services are that the person has a disability, can work for at least 8 hours a week and requires ongoing assistance in the workplace to maintain employment. It is not a requirement that the person be receiving a disability support pension or other income support payment.

Disability Business Services are commercial enterprises enabling people with disability to engage in a wide variety of work tasks such as packaging, assembly, production, landscaping, laundry services and food services. Employees of Business Services enjoy the same working conditions as those in the general workforce, including pro rata wages linked to their productivity.

A case-based funding model was introduced in July 2004 and phased-in over a two-year period. The funding is based on the relative support needs of individual employees and includes additional payments for providing work based personal assistance to employees with very high support needs (for example, eating or toileting).

Over the course of the 2005-06 financial year, 20,900 people were employed in Disability Business Services.

A legislated quality assurance system introduced in 2002 requires all Business Services to meet 12 legislated service standards covering employment conditions, governance and prevention of neglect and abuse as a condition of receiving government funding. Independent certification bodies conduct audits to ensure Business Services are meeting the standards.

Job Placement Employment and Training

Job Placement Employment and Training is an employment preparatory programme that assists disadvantaged and disconnected young people aged 15 to 21 years (with a focus on 15-19 year olds) to overcome multiple personal and social barriers. These barriers include mental health issues, drug and alcohol abuse, sexual abuse or violence, issues related to refugee backgrounds such as torture and trauma, low education levels, poor communication/language skills and social isolation and alienation.

Young people who are homeless or at risk of homelessness are the primary focus of Job Placement Employment and Training. Job Placement Employment and Training also helps young people who face multiple barriers that severely limit their participation including:

- young people leaving care or the juvenile justice system
- young refugees
- young people who are particularly disadvantaged because of geographic isolation.

Job Placement Employment and Training is delivered by a network of services with experience in assisting disadvantaged young people and who can draw on and work collaboratively with existing community support services and networks within their local community. The programme aims to help young people build their capacity to:

- take up or re-engage with education, study or vocational training

- find and keep work or be ready to find and keep work
- benefit from employment assistance
- participate socially in the life of their communities.

Around one third of participants received assistance for health issues. Around one quarter of participants receive assistance for mental health and/or drug and alcohol issues.

Apart from the age range, there is no limit on the amount of time a young person can receive Job Placement Employment and Training assistance. The average duration of assistance is 3.5 months.

Employer Incentives Strategy

The Australian Government funds a range of initiatives that encourage employers to employ people with disability. Collectively these initiatives are called the Employer Incentives Strategy, and include the Workplace Modifications Scheme, the Wage Subsidy Scheme, the Supported Wage System and the Disability Recruitment Coordinator (a review of this strategy was described in 1.2).

WORKPLACE MODIFICATIONS SCHEME

The Workplace Modifications Scheme reimburses employers for the costs involved in modifying the workplace or purchasing special equipment to allow workers with disability to work. Examples include building a wheelchair ramp and adaptive equipment such as IT hardware. To qualify for assistance, companies must employ the person for at least eight hours a week in a job that is expected to last for at least three months. Welfare to Work reforms provided an increase in the availability and funding of workplace modifications.

WAGE SUBSIDY SCHEME

The Wage Subsidy Scheme provides financial incentives for employers to employ workers with disability under normal labour market conditions, with the aim of improving workers' competitiveness by increasing their skills and experience. The scheme is available to job seekers participating in DEN and Vocational Rehabilitation services.

The employment must be with an eligible employer, be under open employment conditions for at least 8 hours per week, for at least 13 weeks (with a reasonable expectation of exceeding 13 weeks) and employ the worker under a legal industrial agreement.

Wage subsidies are paid for a maximum period of 13 weeks. The maximum amount of subsidy/reimbursement is \$1,500 per wage subsidy employment outcome.

SUPPORTED WAGE SYSTEM

The Supported Wage System enables people with disability to be paid according to their level of workplace productivity in the open labour market. The system recognises that some people cannot maintain employment at full award wages due to their disability.

Eligible workers undergo an independent productivity assessment to measure their productivity in comparison to other workers in the workplace undertaking the same or similar job. Employers pay a wage equivalent to the assessed productivity percentage of the applicable award wage for positions expected to stabilise at eight hours per week or more.

DISABILITY RECRUITMENT COORDINATOR

The Disability Recruitment Coordinator provides larger employers with a single contact point for the recruitment of people with disability and provides a source of vacancies for Disability Employment Network and Vocational Rehabilitation services.

The National Disability Recruitment Coordinator works with employers, Disability Employment Network members and Vocational Rehabilitation services to:

- negotiate a supply of jobs with employers
- match suitable job seekers to vacant positions
- broadcast vacancies and provide a screening service of potential candidates
- provide up-to-date information for the recruitment of people with disability and any related issues
- promote the employment of people with disability.

Skill Development

There are a number of initiatives and programmes directed towards improving the training and skills of people with a disability to facilitate their entry to the labour force. A 2004 survey of new Disability Support Pension customers showed that those with higher qualifications were more likely to be currently working or had worked in the previous 12 months.

BRIDGING PATHWAYS BLUEPRINT

The *Bridging Pathways* Blueprint is the national strategy for action to improve training outcomes and employment opportunities for people with a disability in vocational and technical education. The revised Blueprint, which was endorsed by Ministers responsible for training in 2004, outlines five priorities for action:

- Progressing a whole of life approach
- Measuring what we are achieving

- Delivering on the ground
- Engaging key players; and
- Improving employment outcomes.

The revised Blueprint guides all Australian jurisdictions and stakeholders in vocational and technical education training planning and delivery for people with a disability.

COMMONWEALTH-STATE AGREEMENTS FOR SKILLING AUSTRALIA'S WORKFORCE

The 2005-2008 Commonwealth-State Agreements for Skilling Australia's Workforce, under the national targets, provide for an additional 10,000 VTE places for people with a disability over this period.

AUSTRALIAN APPRENTICESHIPS INCENTIVES PROGRAMME

The Australian Apprenticeships Incentives Programme provides additional assistance for Australian Apprentices with a disability including the Disabled Australian Apprenticeship Wage Subsidy (DAAWS), which is a wage support payment for the employer and assistance for tutorial, interpreter and mentor services to assist the Australian Apprentice.

Financial assistance for leasing or purchasing essential equipment, or modifying the workplace to assist an Australian Apprentice with a disability with workplace training, is also available.

Many Group Training Organisations (GTOs) employ Australian Apprentices with disability and so these organisations can assist job seekers in this category.

Disability Employment Network providers and the Australian Apprenticeships Centres are eligible to claim payment for placing eligible people into Australian Apprenticeships, including Australian School-based Apprenticeships.

DISABILITY COORDINATION OFFICER PROGRAMME AND REGIONAL DISABILITY LIAISON OFFICER INITIATIVE

The Disability Coordination Officer (DCO) Programme, which commenced in 2002, and the Regional Disability Liaison Officer (RDLO) Initiative, in place since 1994, aim to assist people with a disability move between school, vocational and technical education (VTE) and higher education, to succeed in their chosen studies and move to suitable employment.

DCO services are provided by registered training organisations, higher education institutions, and government and community-based organisations, including disability organisations. RDLOs are hosted by universities.

LANGUAGE LITERACY AND NUMERACY PROGRAMME

The Language, Literacy and Numeracy Programme (LLNP) aims to improve clients' language literacy and/or numeracy with the expectation that this will enable them to participate more effectively in training or in the labour force. LLNP has been funded to provide an additional 2900 places to target Welfare to Work client groups including parents, the disabled and mature aged jobseekers who have new obligations to seek work.

3.2 Recent reforms

The most recent reforms were described in section 1.1 and their implications in terms of employment support detailed in 3.1 above. In summary, the latest reforms are characterised by the following changes.

JOB CAPACITY ASSESSMENTS

These new assessments streamline and enhance the assessment and referral arrangements. Job Capacity Assessments provide a comprehensive assessment of job seekers with participation barriers, quickly refer people to the most appropriate intervention to meet their needs, and inform Centrelink's decisions on payment eligibility. The Job Capacity Account offers a new short term intervention option to help people become job ready.

MENTAL HEALTH INITIATIVES

Reforms already in place include additional funding for post placement support and significant increase in places in the Personal Support Programme to help people with mental illness. The inquiries into mental health have also led to further reform considerations contained in the new National Action Plan on Mental Health 2006–2011.⁵⁰ One of the key objectives of this new action plan is to increase the ability of people with a mental illness to participate in the community, employment, education and training. The plan specifies a series of specific state-based actions that include additional places in employment-support programmes, and more one-on-one assistance to young people to help them stay in education.

In May 2006 the Australian Government announced additional funding of \$20 million over four years to strengthen access to mental health services for veterans and defence force communities. This allocation is to facilitate linkages into the mental health initiatives agreed by the Council of Australian Governments policy to improve access to a wider range of mental health services. These include an increased focus on preventive measures and self-help arrangements within communities, as well as promoting rehabilitation, recovery, relapse prevention and return to work models.

⁵⁰ Council of Australian Governments, National Action Plan on Mental Health 2006-2011, July 2006

IMPROVEMENTS IN THE DISABILITY EMPLOYMENT NETWORK

These improvements include the reform of case based funding moving from block grant funding and a new demand driven stream for those with an assessed capacity to work at 15-29 hours (see 3.1 for more information on DEN services).

VOCATIONAL REHABILITATION SERVICE (VRS)

From 1 July 2006, the Welfare to Work package provided an extra \$192 million for VRS to guarantee access for all eligible people in need of the service, including job seekers with new part-time participation requirements. The existing VRS population prior to 1 July was capped at approximately 23,000 people. The Australian Government has decided to open a share of VRS services to competitive tender from non-government (both for profit and not for profit) organisations. From 1 July 2007 up to 20 per cent of capped services and 50 per cent of demand-driven services may be delivered by contracted organisations.

JOBACCESS

JobAccess is a one-stop-information shop for employers, jobseekers with disability, co-workers and employment service providers. This free service includes comprehensive information on all relevant government services at both the state and Commonwealth level, along with an advisory service on matters relating to the employment and retention of people with disability.

There are four main components of JobAccess:

- A comprehensive website containing specific information for the key target groups
- A free telephone advice service handled by trained Job Access Adviser who provide expert individualised service
- An online Workplace Adjustment Tool giving employers and providers a range of practical ideas and solutions for workplace modifications and adjustments
- An online claims process for the payment of workplace modifications.

EMPLOYER DEMAND AND WORKPLACE FLEXIBILITY STRATEGY

Part of the Welfare to Work measures announced in the 2005-06 Budget was an Employer Demand and Workplace Flexibility strategy (EDWFS) to improve employer awareness of the benefits of hiring people with disability, parents, mature age job seekers and the very long-term unemployed. There are three key components to the strategy:

- Workplace flexibility strategies to promote flexible workplaces and help employers through the provision of labour market information (such as labour and skill shortage surveys) and workshops to facilitate connections with job seekers.
- Training for employers to effectively manage an ageing workforce through working with industry associations to develop, pilot and introduce age

management training for workplaces to facilitate the recruitment and retention of mature aged people.

- Strategies to increase demand for workers with disability by increasing employers' willingness and capacity to employ people with disability, including job seekers with a mental illness.

Employer Demand Demonstration Projects

A key component of the EDWFS is small grant funding for industry strategy demonstration projects to develop good practice training, recruitment and retention strategies for the Welfare to Work target clients across seven key industries. Ninety-three project proposals have been received and 53 have been approved to date with approximately 3000 job outcomes for Welfare to Work job seekers.

Strategies to Increase the Demand for Workers with a Disability

The strategies under this component include the provision of targeted information and advice; an increase in the availability of practical assistance and financial incentives; and stronger promotion of the business benefits of employing workers with disability.

Engagement with Industry and Employers

To help the success of the Welfare to Work reforms and to raise industry and employer awareness of the demographic changes that are driving the need for a diversified and flexible workplace, a series of Workforce Tomorrow Industry and Employer breakfasts have been conducted during 2006 to engage with employers to provide strong messages about demographic changes, assistance available to them, and the benefits of flexible working arrangements.

Workforce Tomorrow Research Publication

The research publication *Workforce Tomorrow - adapting to a more diverse Australian labour market* was launched in November 2005. The publication provides new information about the projected impact of population ageing on labour supply, and on employment by industry, region, and occupation for the period 2005 to 2010. The findings show that there will be an approximate shortfall of 195,000 workers nationally as a result of the effects of the ageing population on the workforce.

Better Connections Workshops

Better Connections Workshops bring together employment services providers, Federal, state and local government agencies, and the local chamber of commerce to develop solutions to local employment issues. The objective of the workshops is to improve labour market effectiveness by addressing labour supply and skill shortage issues, increasing labour market participation and reducing unemployment. DEWR's role in the workshop is that of information sharing.

Labour Market Information Portal

A Labour Market Information Portal, launched in July 2005, provides employment services providers with current demographic and labour force information by Employment Service Area and Labour Force Region. This site has been further developed and is now available through the Workplace website.

Workplace Flexibility Projects

The Workplace Flexibility component of the strategy targeted the Retail, and Restaurant and Catering industries in 2005-06. A website has been developed, www.flexibilityworks.dewr.gov.au that showcases guidelines and resources to help managers and employers in the retail industry to adopt and manage flexible working arrangements.

WORK EXPERIENCE PLACEMENT

From 1 January 2007 the Australian Government will pay the insurance cost of job seekers undertaking work experience. Announced as part of the 2006–07 Budget, this measure is expected to apply to 70,000 job seekers. The coverage will be available for Job Network (JN) and Disability Employment Network (DEN) members, and from 1 July 2007 for Vocational Rehabilitation Services (VRS). A Work Experience Placement may be from five days to a maximum of eight weeks, and an employer can offer a job at any time.

4. Position of people with disability

4.1 Anti-discrimination

Providers of Australian Government Employment Services (PAGES) have it built into their contracts and funding agreements with Government Departments and agencies that they must abide by all anti-discrimination legislation.

Anti-discrimination provisions are contained in a number of Commonwealth Acts, including the:

- Racial Discrimination Act 1975;
- Sex Discrimination Act 1984;
- Disability Discrimination Act 1992;
- Human Rights and Equal Opportunity Commission Act 1986
- Age Discrimination Act 2004
- Workplace Relations Act 1996

In addition, all states and territories have some form of anti-discrimination legislation, which in most areas complement Commonwealth legislation.

Employees who suffer discrimination may apply to the Australian Government Human Rights and Equal Opportunity Commission, the Australian Industrial Relations Commission, or a state tribunal, such as the NSW Anti-Discrimination Tribunal. After one tribunal deals with an employee's complaint, another tribunal cannot deal with it a second time.⁵¹

Disability discrimination

The rights of people with disability are specifically legislated for in the *Disability Discrimination Act 1992*. The Act focuses on addressing the physical and attitudinal barriers that prevent people with disability from making the most of their abilities and participating more fully in the community.

The Act provides that a person with disability has a right to the same employment opportunities as a person without disability. It is against the law for an employer to discriminate against someone on the grounds of disability.⁵²

People with disability are protected against discrimination in all aspects of seeking and retaining a job. In particular, they are protected in the recruitment process, in the terms and conditions of employment, in the promotion process, and in dismissal or retrenchment.

Employers must offer equal employment opportunities to everyone. This means that if a person with disability can do the essential activities of a job, they should have the same chance as anyone else. If the person with disability is the best person for the job they must be appointed and the workplace must be adjusted if, and where, necessary (see the Workplace Adjustment Scheme in Section 3.1).

The effectiveness of the *Disability Discrimination Act* was reviewed in 2004 and discussed in the Evidence section, 1.2, of this report.

The Workplace Relations Act 1996 also contains provisions dealing with discrimination against employees with disability. For example, it is unlawful for employers to dismiss a person for reasons including their physical or mental disability. Also, bodies established under the legislation (for example the Australian Industrial Relations Commission and the Office of the Employment Advocate) have obligations with respect to disability discrimination, including ensuring that when performing their duties under the WR Act they have regard to the need to prevent and eliminate discrimination on the grounds of mental physical disability. In addition, workplace agreements cannot contain discriminatory terms.

⁵¹

<http://www.workplace.gov.au/workplace/Organisation/Employer/EmployerResponsibilities/Avoidingdiscriminationinemployment.htm>

⁵² www.hreoc.gov.au/disability_rights/dda_guide/earning/esrning.html

4.2 Employer obligations

Government support schemes

Australia does not set quotas for the employment of people with disability. Instead the general thrust of government intervention is to offer the employer incentives to encourage employment and by removing additional barriers to the employment of people with disability (these schemes were described in 3.1).

When employees with disability are engaged under a government support scheme (eg. workplace adjustment) the employer is obligated according to the conditions of the scheme.

Employment of people with disability in the Australian Public Service⁵³

In 2006, the Management Advisory Committee (MAC) released a report entitled: 'Employment of People with Disability in the Australian Public Service' (the MAC report). MAC is a forum of departmental Secretaries and Agency Heads which advises the Australian Government on matters relating to the public service.

The report is an attempt to address the decline in the number of people with disability employed in the public service and outlines eight key objectives to improve the employment of people with disability. The objectives focus on creating a culture that values diversity and promotes employment of people with disability; implementing flexible recruitment and employment strategies; improving training and mentoring opportunities; providing accessible workplaces and supportive work environments; reducing complexity and risk for managers; and using a consistent conceptual framework.

Departments and agencies are to provide annual reports on progress as part of the 'State of the Service Report'.

Legal obligations

Apart from the specific anti-discrimination legislation described earlier there are a set of legal obligations that apply to the employment of any person, with disability or otherwise. These legal obligations are contained in occupational health and safety laws and in industrial relations laws. The latest amendments of the workplace

⁵³ Australian Public Service Commission (2006) 'Employment of People with Disability in the APS' at <http://www.apsc.gov.au/mac/disability.htm>

relations legislation—WorkChoices—were enacted in 2006 and contain specific reference to people with disability.⁵⁴

The Workplace Relations Act contains protections for employees generally, some of which are also particularly relevant to employees with a disability. For example, minimum wages set by the Australian Fair Pay Commission cannot be undercut through enterprise negotiations. This includes pro-rata wages for employees with a disability unable to earn the full minimum wages. Key minimum employment conditions (annual leave, personal/carer's leave, parental leave and maximum ordinary hours of work) are guaranteed and cannot be overridden through enterprise-level agreements. In particular, as part of this statutory guarantee, employers are required to provide employees with ten days paid personal/carer's leave per year. This leave can be taken for personal illness, injury or to look after members of their immediate family or household who requires care or support due to illness.

In the context of workplace level bargaining, employees can appoint a person to negotiate on their behalf. Employees must also specifically approve agreements that remove or modify employment conditions from arbitrated industrial awards.

4.3 Roles of Non Government Organisations

Australia has a strong tradition of Non-government Organisations (NGOs) delivering services to support disadvantaged individuals, families and communities. In Australia, Non-government Organisations provide a broad range of social services, from welfare and education to conservation, recreation and health and community care services. There are over 700,000 Non-government organisations in Australia.⁵⁵

Service delivery

The Commonwealth, State and Territory Disability Agreement (CSTDA), which applies to the period 1 July 2002 to 30 June 2007, forms the basis for the provision and funding of specialist services for people with disability who require ongoing or long term episodic support.⁵⁶ Disability support services are primarily delivered under the Commonwealth, State and Territory Disability Agreement. Additional

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<https://www.workchoices.gov.au/ourplan/publications/WorkChoicesandwagesforemployeeswithadisability.htm>

⁵⁵ Philanthropy Australia (2006) 'The nonprofit sector in Australia' Fact Sheet at <http://www.philanthropy.org.au/research/factsheets/nfpfactsheet.pdf>

⁵⁶ Productivity Commission (2006) 'Review of Government Services' at <http://www.pc.gov.au/gsp/reports/roqs/2006/communityservices/chapter13.pdf>

support is also offered through programmes such as Home and Community Care which provides basic maintenance and support services.

The Australian, State and Territory governments fund both government provided and non-government provided specialist services for people with disability. Mechanisms for the funding and delivery of specialist disability services differ across jurisdictions because of policy differences and other factors. Under the Commonwealth, State and Territory Disability Agreement, the Australian Government administers employment services, and the state and territory governments administer accommodation support, community access, community support and respite care services. Advocacy, information, print disability, and research and development services are jointly administered by the Australian, State and Territory governments.

In 2006-07, the Australian Government funded Non-government Organisations to provide specialist employment services—including Disability Employment Network and Business Services—from 750 locations, which were used by more than 50,000 people with disability.

Disability Employment Network services are predominantly community based, not-for-profit, employment agencies. Some specialise in working with people with particular disability, eg. psychiatric disability, acquired brain injury, and physical disability. The majority work across all disability types. There are also a number of private (for profit) Disability Employment Network providers.

The National Disability Advocacy Program funds 71 advocacy organisations to help people with disability, their families and carers to get involved in community life as fairly and as fully as possible.

Under the Commonwealth, State and Territory Disability Agreement, advocacy is a shared responsibility of the Australian Government and the State and Territory governments. State and Territory governments contribute approximately \$4 million towards advocacy services, and a small number of advocacy services receive both Australian and State and Territory government funding.⁵⁷

Outside of the Commonwealth, State and Territory Disability Agreement framework Job Network members are a mix of private (for profit) and community-based organisations delivering employment assistance and recruitment services across Australia.

Policy development

Non-government Organisations are involved in policy development at different levels, including representation on formal committees and advisory bodies and

⁵⁷ <http://www.facsia.gov.au/internet/facsinternet.nsf/disability/representation-ndap.htm>

through subject-specific consultations. Some of the formal bodies to have Non-government Organisations representation include the following.

WELFARE TO WORK CONSULTATIVE FORUM

This Consultative Forum advises the Ministers for Employment and Workplace Relations and Workforce Participation at a broad strategic level on:

- the design of services to ensure the Government's *Welfare to Work* policy objectives are achieved
- communication and consultation with stakeholder groups to promote awareness, understanding and input to the reform measures
- approaches to maximise employer engagement with reforms.

Membership of the forum consists of representatives of community organisations, business and government with an interest in *Welfare to Work* policy and issues (i.e. its focus is broader but includes disability). The forum is co-chaired by the Ministers of Employment and Workplace Relations and Workforce Participation.

DISABILITY ADVISORY GROUP

This committee provides expert advice to the Minister for Workforce Participation in relation to the development of strategic and proactive approaches to disability employment issues. Its terms of reference include the development of strategies to address the demand side of disability employment policy and the identification of innovative approaches to employment service provision.

Its membership includes representatives from industry, employers and peak service provider and consumer organisations.

AUSTRALIAN SAFETY AND COMPENSATION COUNCIL

This Council leads research and analysis of workers' compensation arrangements in Australia. The findings of this research are used to develop a nationally consistent workers' compensation system.

The Council consists of representatives of Commonwealth, State and Territory governments, as well as employer and employee representatives. It leads and coordinates Australia's efforts to prevent workplace death, injury and disease, to improve workers' compensation arrangements, and to improve the rehabilitation and return to work of injured workers. The Council also develops policies to promote national consistency in the occupational health and safety and workers' compensation regulatory framework.

PEAK ORGANISATIONS

There is a number of non-government peak organisations, at both State/Territory and national levels, whose membership is drawn from Non-government Organisations and/or professionals working in the area of disability services, or from individuals with disability and their families or carers.

The role of national peak organisations varies, but most include:

- representation of the interests of their members at a national level;
- identification of opportunities to improve services and policies for people with disability; and/or
- promotion to the public and/or policy makers of issues relating to disability.

These organisations represent the views of their members to Government through various means, including submissions to inquiries, consultations, an industry and programme reviews; directly lobbying members of Parliament; membership of working parties and committees; and through research activity and public campaigns.

Government funding to peak organisations

NATIONAL SECRETARIAT PROGRAMME

The Department of Families, Community Services and Indigenous Affairs (FaCSIA) provides financial support to various peak bodies to contribute to government policy and service delivery affecting Australian families and communities. Peak bodies are funded through the National Secretariat Program and represent welfare, disability, families, children, homelessness and community organisations.

FaCSIA provides funding to nine national disability consumer peak bodies that represent the views of people with disability and one industry body representing the views of disability service providers.