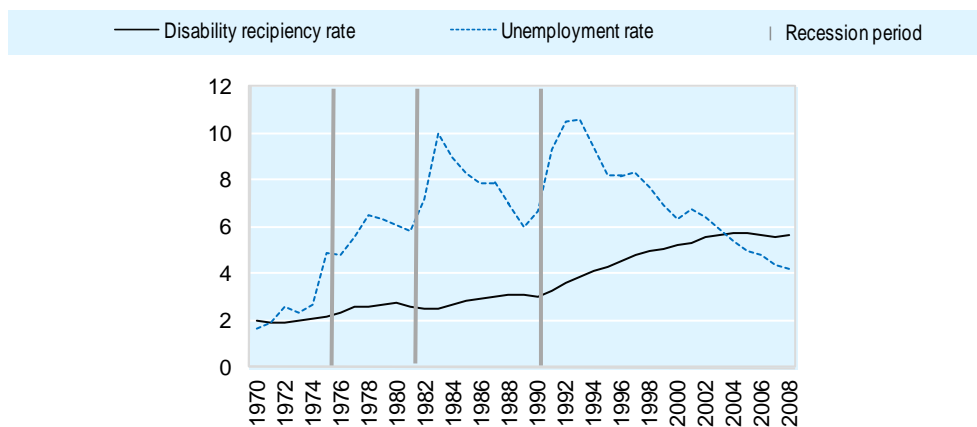


AUSTRALIA

KEY FINDINGS

- In Australia in the mid-1980s, the number of people receiving unemployment benefit was roughly three times higher than that on disability benefit. After the crisis in the early 1990s, unemployment fell sharply all through 2008. The number on disability benefits, however, increased continuously and, since 2004, has always exceeded the number of unemployed (Figure 1).

Figure 1. Long-run trends in unemployment and disability recipiency rates in Australia, 1970-2008 (percentages)



- Following the increase since 1990, the number of people of working age in Australia who receive disability benefit has reached the OECD average; in 2008, 5.4 % compared to 5.7% (Figure 2).
- Young people aged 20-34 are now more likely to be on disability benefit than across the OECD, at 2.2% compared to an OECD average of 1.5%.
- Public spending on sickness and disability makes up 15% of all Australian public social spending, significantly over the OECD average of 10%.
- The unemployment rate for people with chronic health problems or disability at the end of 2007 was around half that of the OECD average, at 7.8% compared to 13.7%. But it was twice the Australian unemployment rate for people without health problems (Figure 3).
- Employment rates of people with health problems or disability, at 40%, are low and falling. In turn, almost one in two of them live in poverty: 45% compared to an OECD average of 22%. This is 2.5 times the figure of the general population of Australia.

POLICY CHALLENGES

1. **Strengthen employer involvement at an early stage of a health problem.** Employers should be responsible for monitoring repeated and longer-term sickness absences of their workers.
 - This responsibility should be matched by financial incentives for employers to prevent illness and retain jobs, as done in other OECD countries e.g. by a longer mandatory wage-payment period.
 - Employers should also have to inform the labour market authorities about dismissals following a prolonged sick leave.

2. **Make sure as many people as possible can benefit from the improved employment services.** Australia expanded its employment and vocational rehabilitation services and improved their quality but more can be done to reach those clients who are currently inactive.
 - Increase further the resources for employment and vocational rehabilitation services.
 - Improve funding rules by rewarding providers for sustainable employment and career pathways.
3. **Improve work incentives so as to increase incomes.** Very few benefit recipients are working, despite generous taper rates, and transferring from unemployment to disability benefit remains attractive cause the latter comes with all the advantages of a pension that do not apply to allowances.
 - Increase work incentives for people with partially-reduced work capacity who are now treated as unemployed and expected to seek part-time work.
 - Strengthen incentives for disability benefit recipients to move off benefit, and to the extent possible, expand the activation approach to current longer-term recipients as well.

Figure 2. **Disability benefit recipiency rates in 2008, Australia in comparison with 30 other OECD countries, plus OECD average (percentages)**

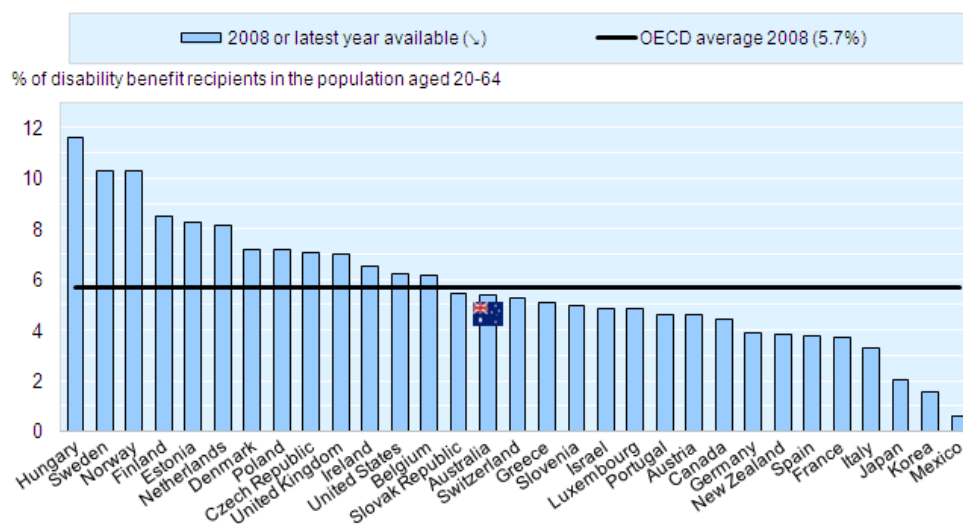


Figure 3. **Selected key labour market indicators by disability status, around 2007 i.e. before the recent economic downturn, Australia and OECD averages (percentages)**

