

## Employer involvement would strengthen Australia's *Welfare to Work* reform, finds OECD

Australia should make employers take more responsibility for sick employees to make sure they don't fall into unemployment. This is among a series of recommendations in *Sickness, Disability and Work: Breaking the Barriers (Vol.2) – Australia, Luxembourg, Spain and the United Kingdom* that analyses sickness and disability policies of these countries. These recommendations will help governments reduce the number of people claiming benefits and reintroduce them into the labour market.

The Australian economy has been strong for more than a decade, resulting in rising overall employment and record-low unemployment. Yet, the living conditions of people with disabilities have not improved: their employment rate stands at around 40%, lower than five years ago and only half the rate of their counterparts without disabilities. In addition, their income is at least one-third lower than the income of other people.

At the same time, the number of people receiving a Disability Support Pension has doubled in the past 20 years to around 6% of the working-age population. Importantly, many people move from unemployment benefits to Disability Support Pension, with a large proportion of them going through multiple spells of income support prior to receiving it.

Currently, Australia is trying to address these issues through *Welfare to Work* reform, which has three important features: evaluating a person's remaining work capacity rather than disability; extending the focus on individually-tailored employment support; and helping people with partially-reduced work capacity – people who are no longer entitled to disability benefit but only to unemployment benefit which has stricter compliance rules.

This *Welfare to Work* reform is well-timed. Due to the record low rate of unemployment, the Australian labour market is very tight. This will make it easier to raise employment and reduce welfare dependency. There is also strong support for the government's reform agenda from most public and private stakeholders. However, certain areas deserve more attention. Three problems, in particular, should be addressed in future reforms, the OECD report concludes.

1. Employers should be responsible for monitoring their workers' repeated sickness absences and absences of more than one month and should inform authorities about dismissals following a prolonged sick leave.
  - These responsibilities should be matched by financial incentives for employers to prevent illness and retain jobs. Other countries, including Luxembourg, are doing this by lengthening the period during which employers have to continue wage payments for sick workers.
2. Australia expanded its employment and vocational rehabilitation services and improved the quality of these services. Now it must ensure that the services reach those clients who are currently inactive:
  - Resources for employment and vocational rehabilitation services should be increased. The fixed appropriation of services (so-called capping) should be abolished to avoid parking people on waiting lists for too long or referring them to the wrong or second-best service.
  - Funding rules should be further improved and employment and vocational rehabilitation services should focus on longer-term employment outcomes beyond the first 13 or 26 weeks, with some focus on career paths.
3. Transferring from Newstart Allowance to Disability Support Pension is still attractive, because the latter comes with all the advantages of a pension that do not apply to allowances:
  - Improve work incentives for people with partially-reduced work capacity who are now treated as unemployed and expected to seek part-time work.
  - Incentives for Disability Support pensioners to move off benefits must be strengthened. To the extent possible, the new *Welfare to Work* approach with part-time participation requirements in exchange for better employment support should be applied to current beneficiaries as well.

Journalists can obtain a copy of ***Sickness, Disability and Work: Breaking the Barriers (Vol. 2) – Australia, Luxembourg, Spain and the United Kingdom*** by contacting the OECD's [Media Relations Division](#) (tel. +331 4524 9700). For further information, please contact one of the authors in OECD's Directorate of Employment, Labour and Social Affairs: [Christopher Prinz](#) (tel. +331 4524 9483) and [Michael Förster](#) (tel. +331 4524 9280).