

CHAPTER 7

WAGES, INCOME SUPPORT, AND COSTS OF DISABILITY

7.1 In the previous chapters, a number of factors, ranging from gender, socio-economic background, and culture, to location and age, were identified as probably having a considerable effect on the capacity of many people with disabilities to participate in programs and to become as independent as possible. This chapter examines the myths and realities of perceived economic constraints, and also identifies those areas where change is occurring (or needs to occur) in order to make it financially feasible for individuals to operate as independently as possible.

7.2 In the immediately preceding chapters on training and employment, a number of economic constraints were identified which affect the opportunities of people with disabilities to participate fully in society. In particular, these included:

- limits to the funding of labour market programs and employment options (as well as other limits to effective access to these services);
- the considerable funding available to some service types, but neither previously available nor proposed to be fully extended to, other services such as sheltered workshops and the probable consequent limitation of these services; and
- the level of wages available to people in 'open' employment, some supported employment services and generally in sheltered workshops. All of these financial barriers have contributed over a considerable period of time to placing effective barriers to opportunities for people with disabilities to become as financially independent as possible.

7.3 In this chapter, consideration is given to the structure of, and changes to, the income support system; to factors affecting general wage rates for people with disabilities and to new ideas regarding a skills-based wage structure for some people with disabilities; and to the costs of disabilities. In this, as in other chapters, the Committee's concern is to identify factors which have in the past affected, or may continue in the future to affect, the extent to which disability marginalises people. It is also concerned to examine the extent to which disability is used, directly or indirectly, as the basis for exclusion from the benefits of society. While the Committee's basic concern is the operation and nature of employment programs, these programs are inextricably linked not only to education systems but to an economic and social structure in which value is often equated directly with income. While a number of suggestions have been made about the limitations of a purely 'work' related living environment, and about the need to link a living wage to a wider understanding of employment¹, the issues of income support, of available

1. See above, Chapter 5, Paragraphs 5.42-5.58 and Chapter 6, Paragraphs 6.340-6.348.

wage levels, and of the costs of having a disability are of direct and immediate concern to people with disabilities.

INCOME SUPPORT

7.4 Disability Support Pension (DSP) and Sickness Allowance (SA)², which are paid by the Department of Social Security (DSS), are the main means of income support for people of working age who, because of sickness or a disability, are unable to support themselves fully through employment. People who have a permanent incapacity or disability will now receive Disability Support Pension and those people who are temporarily unable to work because of illness or some other disabling condition receive Sickness Allowance. In addition a relatively small group of people with disabilities received a Sheltered Employment Allowance (SEA) which, while similar in its rates and conditions to DSP, was paid to people with disabilities in sheltered employment, or Rehabilitation Allowance (RA) which is paid to participants in DHH&CS rehabilitation programs.³

7.5 The number of people on the Invalid, now the Disability Support Pension is considered to have increased dramatically in recent years because previous eligibility criteria included a number of factors which were not 'medical' – such as age, education, language.⁴ However, it has been considered that these factors relate more to difficulty in obtaining employment, and that people should be placed on unemployment benefits rather than a disability pension. At 30 June 1991 there were 422,819 invalid pensioners⁵, of whom 234,359 were males aged 16-64. There were 71,397 sickness beneficiaries, 9,886 sheltered employment allowees and 3,574 rehabilitation allowees. At November/December 1991 when the new pension arrangements had been in operation for a few weeks, the figures for recipients were:

Sickness Allowance	53,100	(November 1991)
DSP	364,000	(December)
DSP including wives/carers	469,000	(December)
SEA (at time of transition)	9,800	(includes wives/carers)

2. Amendments to the *Social Security Act* through the *Social Security (Disability and Sickness Support) Amendment Bill 1991*, brought these changes to the Invalid Pension and Sickness Benefit, effective from 12 November 1991.
3. Basic eligibility requirements and the main features of the previous income support system are outlined in Appendix 14.
4. *Transcript of Evidence*, pp. 5833-5 (DSS). See below Paragraph 7.17 for changes to the criteria and an outline of the main features of the Disability Support Pension.
5. Including wives/carers.

7.6 Since the Committee received this reference, the Government has announced and introduced wide ranging reforms to disability income support as part of the Disability Reform package announced in the 1990/91 Budget. Other components of the reform package such as the expansion of labour market programs and rehabilitation services were discussed above in Chapter 5.

7.7 The legislation introducing the changes to disability income support, was referred by the Senate Selection of Bills Committee to this Committee in June 1991 for consideration and report.⁶ At its public hearing on 12 August 1991, the Committee heard from a number of witnesses on the impact of these changes. Witnesses expressed concern about many aspects of the proposed legislation, including restricted access to income support and reduced youth payments and had considerable reservations about some of the proposed more punitive aspects such as the changes which would impose penalties for non-compliance.

7.8 Amendments were not made by the Government to the proposed reductions in payment for under 21-year olds, and the effect of these measures is to reduce the amount of income support available to people with disabilities aged 16-20 years. As there is no reduction in costs of disability because of age, a number of organisations believed there should be no reduction in income available to young people with disabilities.⁷

7.9 One unexpected effect of this was that people aged 16-20 in nursing homes would be at a disadvantage, since the nursing home fee was based on the adult rate of pension plus rent allowance. The issue was raised in Senate Estimates in September 1991⁸ and action was subsequently taken by the Minister to ensure that individuals concerned were not disadvantaged.

7.10 Over one hundred amendments were made to the Bill, many as a result of consultations with community groups and organisations. Penalties for non-compliance were removed from the legislation, which was passed by the Senate on 9 September 1991; amendments were accepted by the House of Representatives on 12 September 1991.

7.11 The majority of the submissions and evidence received by the Committee in its inquiry into employment for people with disabilities addressed issues relating to the income support system in place in 1989 and 1990, and in many cases endorsed the recommendations which had been made by the Social Security Review in 1988. Particular emphasis was placed on the perceived cut-off points of benefits and full pension, and most witnesses indicated that employment options were not viable, even if available, because of financial penalties.

6. The *Social Security (Disability and Sickness Support) Amendment Bill 1991*. The Committee reported on this Bill in August 1991.

7. Senate Standing Committee on Community Affairs Report on the *Social Security (Disability and Sickness Support) Amendment Bill 1991* (August 1991), p. 8.

8. Senate *Hansard* Estimates Committee C, 11 September 1991, pp. C227-28.

7.12 Given the focus of this inquiry on the implementation of the DSA, much of the evidence received by the Committee focussed on employment opportunities for the relatively small group of about 15,000 DSS clients in whom DHH&CS also has a significant interest, that is, those who are in sheltered employment or in the new vocational services funded under the DSA. However, it is important to recognise that income support for people with disabilities is extended to a large and diverse group of people with disabilities, many of whom it is anticipated will benefit from the reform of income support.

Reform of Disability Income Support 1990/91

We have seen a gradual shift in attitudes about disability worldwide. The heritage of the Invalid Pension is very much underpinned by the concept of providing for, in the words of the 1908 legislative debates, "nature's most unfortunate children". . . Change in the social security system is often seen as very threatening and the existing arrangements as secure. However, this security may be both illusion and prison. If the security is for all your lifetime, then the cost of that security is very high.⁹

7.13 DSS has been heavily involved in the development of policies to assist people with disabilities in recent years. A major concern with the existing arrangements¹⁰ was that they created additional barriers to employment and did not adequately encourage or support access to programs which would enhance employability. The eligibility conditions for invalid pension were seen as discouraging recipients from testing and expanding their potential for gainful employment in the mainstream labour market. Only 2 per cent of invalid pensioners went off pension because of their return to employment.¹¹ In 1988, the then Minister for Social Security the Hon. Brian Howe MP, highlighted the effect of the eligibility requirements on the self-perception of many people with disabilities:

The 85 per cent 'incapacity for work' approach is seen as itself producing handicap, in the sense that it is a social construction which inhibits a person with disabilities from exercising his or her full potential. It requires a person to prove and maintain almost total exclusion from the workforce.

9. Speech by the Minister for Social Security, Hon. Brian Howe MP *Income Support for People with Disabilities: New Directions, New Vision*, 1988 ACROD Convention, Melbourne, hereafter cited 1988 ACROD Speech, pp. 5-9.

10. That is, those in place prior to November 1991.

11. Second Reading Speech *Social Security (Disability and Sickness Support) Amendment Bill 1991*, *Hansard*, 5 June 1991, p. 4405.

The meaning of the word 'incapacity' itself has always been a problem. For most recipients, it requires that they demonstrate unemployability.¹²

7.14 In 1988 the Issues Paper, *Income Support for People with Disabilities: Towards Enabling Policies*¹³ was published as part of the Social Security Review led by Professor Bettina Cass. The Issues Paper identified directions for the reform of income support for people who were sick or had a disability and was the basis of wide consultation in the community. It focussed on two issues: the equity and adequacy of income support; and restructuring income support to minimise disincentives and to support opportunities for participation in education, and in labour market programs, for employment in a variety of work settings; and other community activities.

7.15 The Disability Task Force, an interdepartmental body which included DCSH (now DHH&CS), DSS, Finance and DEET, was subsequently established to consider how to provide income support for people with disabilities which would encourage active participation in rehabilitation and labour market programs, education, employment and other community activities.

A central concern of the Government's social justice strategy is to ensure equal access to education and training . . . There has been a strong focus on these goals in many of the Disability Service Act demonstration projects, and the Department of Employment, Education and Training SkillShare projects. Reform of the income support system to reflect these changes is an important adjunct to efforts in these other portfolios.¹⁴

7.16 As a result of this process, significant changes to income support for those who are sick or have a disability were announced in 1990/91 Budget. Based in part on the recommendations made in the Social Security Review, the reform package has as its main aim the introduction of a more active system of payment and support. The reforms, which came into effect on 12 November 1991, aim to increase the participation of people with disabilities in employment, education and training activities. They also aim to facilitate participation in, and contribution to, the life and work of the community. A further objective is to ensure that people with severe disabilities and limited job prospects get adequate and secure income support.

7.17 The Invalid Pension has been replaced by the Disability Support Pension (DSP). The major changes to the previous structure include:

12. Minister for Social Security, ACROD Speech 1988, p. 4.

13. Social Security Review Issues Paper No 5: *Income Support for People with Disabilities: Towards Enabling Policies*, AGPS, Canberra, 1988.

14. Minister for Social Security ACROD Speech, 1988, p. 8.

- The existing invalid pension eligibility criteria have been changed by introducing a minimum impairment threshold of 20%, together with a reduced range of non-medical factors to target the payment more clearly to those with significant disability.
- impairment tables include those relating to psychiatric, and drug and alcohol related disabilities.
- The assessment of 85 per cent permanent incapacity for work was replaced by an assessment of an inability to work for at least 30 hours per week at award wages or above in the foreseeable future (at least two years) due wholly or substantially to a physical, intellectual or psychiatric impairment.
- People considered likely to benefit from training or other assistance can be placed in the 'active' category of disability support pension where they will have access to rehabilitation and training opportunities.
- The level of weekly income which an pensioner can earn before a medical review of their entitlement for pension is necessary has increased from \$50 to \$250 a week.
- The rates of Disability Support Pension for those under 21 has been aligned with the rates of the Common Youth Allowance structure from November 1991 but the equivalent of child disability allowance is included. Part of this payment is also be subject to the parental income test for 16 and 17 year olds. Existing recipients were not transferred to the 'youth' rates.

From November 1991 workforce transition measures to assist people with disabilities to enter or re-enter the workforce have included:

- the extension of eligibility for the pensioner health benefit (PHB) card for 12 months to disability support pensioners whose earnings exceed the fringe benefit income test;
- an employment entry payment of \$200;
- Mobility Allowance for people with disabilities unable to use public transport will be increased from \$11 to \$20 per week.¹⁵ It is payable to people who are engaged in vocational training or employment for at least eight hours per week.

15. The previous low level of Mobility Allowance was criticised by several witnesses; see below, Paragraphs 7.161-7.162.

Recommendations

The Committee RECOMMENDS:

1. That the Government consider the payment of a Disability Allowance, based on need.
2. That eligibility for income support should not be based solely on medical impairment, and other factors such as language and education level must be taken into consideration.

[Note: Recommendations 1 and 2 were made by the Social Security Review led by Professor Bettina Cass.]

7.18 In recognition of the concerns or reservations held by those who are moving off invalid pension into open employment about the loss of their financial security, people with disabilities will be able to return to DSP if their employment attempt is unsuccessful. People attempting full-time work who cease to be eligible for the pension will be able to go back on the pension, without having to undergo a further medical review of their eligibility, any time within a review cycle.

7.19 From November 1991, SEA and Rehabilitation Allowance (RA) were replaced by the Disability Support Pension. New entrants to sheltered employment will receive the DSP while 'existing' recipients have their entitlements 'saved' and receive DSP under the previous SEA guidelines until their entitlement ceases. Those receiving the Incentive Allowance continue to receive it while they remain on the DSP and in sheltered workshops/activity therapy centres. Incentive Allowance will not be paid to new recipients of DSP, although such recipients may be eligible for rent assistance.

7.20 Under the new arrangements, assessment procedures will be improved, and, in consultation with the individual client, will be used to determine an applicant's capacity to participate in employment and their need for education, training or rehabilitation programs. Clients who already have some employment potential or who may require assistance to prepare for the workforce can be placed in the 'active' category, and will be targeted for special assistance such as access to training and rehabilitation and employment assistance.

7.21 Sickness Benefit, now Sickness Allowance (SA) is limited to 12 months (24 months in some exceptional circumstances) to avoid both long-term dependency on the payment and the weakening of links with the labour market. At the same time, opportunities for early rehabilitation for people on Sickness Allowance have been increased and account taken of chronic conditions, worsening of the same condition, or the development of a different one, and the need for participation in drug or alcohol treatment programs. All persons who were receiving Sickness Benefit on 12 November 1991 were transferred to Sickness Allowance without having to meet the new conditions.

7.22 The income test for pensions remains unchanged. Changes to the income test will be considered further by the interdepartmental Disability Task Force. Calls for the liberalisation of the income test for those in sheltered, supported or open employment¹⁶ must be balanced against the potential of extensive changes to introduce serious inequity. This would occur through advantaging one group of DSS pensioners with disabilities over all other pensioners with disabilities, and over all other DSS clients subject to the same income test (for example, age pensioners and sole parents). Liberalisation of the income test would have ramifications for the entire income support system. While many would concede such liberalisation is desirable, it would clearly involve massive increases in Commonwealth expenditure.

Barriers to employment

7.23 Many of the reform measures outlined above will address, either in part or in full, the criticisms and concerns of those who made submissions to this inquiry. While the majority of the evidence received on the question of income is now somewhat dated evidence it provides a valuable yardstick against which to measure the extent and scope of the reforms and the shortcomings of the previous system which they are intended to overcome.

7.24 Evidence taken during the inquiry frequently focussed on the ways in which structure of the income support system for people with disabilities acted as a disincentive to work, or, for those who were already in employment, as a disincentive to increase their incomes.¹⁷ The major problems in this respect were the operation of the income test and the impact of effective marginal tax rates, and the availability of assistance to ensure a successful transition to the workforce. For example, a number of witnesses and submissions stated that retention of the Pensioner Health Benefit (PHB) card and assistance to meet the costs of disability (such as a disability allowance) were essential for effective transition.¹⁸

16. See for example *Transcript of Evidence*, pp. 376-77 (The Spastic Centre of New South Wales), p. 4630 (DHH&CS, p. 5391 (Messrs Rodwell & Smith, Cumberland College of Health Sciences), p. 5852 (Human Rights and Equal Opportunity Commission) and Submission No. 149 (Victorian Mental Illness Awareness Council) and Submission No. 162 (Mental Health Co-ordinating Council).

17. Given the time lapse between the calling for submissions and the finalising of the inquiry some of the information provided in evidence on the relevant cut-off points is outdated due to subsequent indexation increases or, in some cases, the reforms outlined above.

18. When announcing the Disability Reform package the Government indicated that it was still considering the introduction of a disability allowance, particularly for people with disabilities participating in employment. This issue is discussed below. The PHB card may be retained for 12 months by those whose earnings exceed the fringe benefit income test – see Paragraph 7.53.

Income test

7.25 The pensions income test enables all pensioners to supplement their pension through earnings or other income. The pensions income test has two components, the 'free area' which attracts no tax and the 'taper', which affects 50 per cent of all income above the free area. A single pensioner with no dependants could earn up to \$40 per week of private income free of the income test (the 'free area') and also does not incur tax on this private income because a single pensioner qualifies for a tax rebate which was set at \$40 per week for 1990/91. Further, the general exemption from income tax applied to income of \$98 per week or less in 1990/91. The free area was set at \$40 per week in 1987; however, from 1 July 1991 this limit has been indexed in line with the CPI. Therefore from 1 July 1991 a single invalid pensioner with no dependents could have a combined income from pension and earnings of \$385.60 per fortnight before his/her income is affected by the pension income test or taxation; if the individual was eligible for maximum rent assistance or incentive allowance, this combined income could be \$505 per fortnight.

7.26 Beyond this free area, the income test taper applies. For every \$1.00 of private income earned, a pensioner loses 50 cents of his/her pension. Entitlement to part pension ceases when private income exceeds either \$697.20 per fortnight or \$817.20 (where maximum rent assistance is paid).

Effective marginal tax rates

7.27 High effective marginal tax rates are generated by the overlap of the income test (which reduces pension entitlement as private income increases) and tax on taxable income. Effective marginal tax rates are widely recognised as a very significant disincentive for many groups of pensioners to increase their private incomes (for example, sole parents attempting employment). However, both invalid pensioners and people on Sheltered Employment Allowance were shielded from the full impact of the effective marginal tax rates as, unlike other pensioners, their DSS entitlements were not subject to income tax. In addition, the earnings of most people on SEA are too low to incur income tax liabilities. The Committee notes the Government's decision to index the free area of the pensions income test and believes that over time this will help to maintain the real value of the free area.

Perceptions of those still in sheltered employment

7.28 Many submissions expressed the concern of workshop management, parents and advocates that the impact of the income taper and the loss of fringe benefits discourage workers from seeking open employment or from striving to increase their earnings in sheltered or supported employment. Submissions highlighted the lack of understanding of workers and their families about the operation of the income test and the role of targeted income support payments. Summit Industries, a sheltered workshop in transition, which was paying relatively high wages to its employees, commented:

They find it very difficult to understand the connection between the benefit and the wage that we pay, and we often find that either they or their parents request the forgoing of pay increases.¹⁹

A CETP agency made a similar point:

Fear of loss of pension or benefits entitlements is one of the major fears of disabled persons. Because of their disability they and their parents see the pension system as a highly desirable secure form of income which should be protected at all costs. The fear of loss of pension at times [overrides] the other advantages disabled persons may gain through employment.²⁰

Wirrawee, an organisation in South Australia undergoing transition, suggested that:

Assistance should be available from the DSS to counsel people with intellectual disabilities to a greater understanding of how employment will affect their pension and benefits.²¹

7.29 The Challenge Foundation at Coff's Harbour pointed to another factor which, if validated, would indicate an alarmingly low level of financial independence for some people with disabilities.

The high unemployment rate of this area is such that the possession of an invalid pension gives some greater security. Support for 'open employment' is significantly hampered when parents believe the loss of pension and benefits will be at least one negative outcome for the employee . . . We believe that most families budget the pension into total family funds, therefore there is pressure not to change given the family's own perceptions of the individual's chances.²²

7.30 The financial security of the person was considered by another organisation to be one of the major reasons why hearing disabled people might not become part of the employment market.

19. *Transcript of Evidence*, p. 5390 (Jobmatch).

20. Submission No. 114, p. 1 (Vocational Training Service).

21. Submission No. 35, p. (Wirrawee Inc.).

22. Submission No. 139 (Challenge Foundation, Coffs Harbour & District Branch). This attitude may limit the opportunities of people with disabilities and affect the extent of support which a family will give to efforts to achieve other employment. As indicated above (see Paragraphs 6.326-6.332), this can profoundly affect the chances of some individuals to obtain greater independence and extend their skills, especially if lack of support means lack of access to some programs.

While deafness itself is not sufficient qualification for a pension, when combined with social/emotional problems, other disabling factors, anxious parents, and the like – a considerable number of deaf people and their families prefer the security of steady income to the uncertainty of the employment market.²³

7.31 Sheltered employment services were particularly critical of the operation of the income test on pension entitlements and net incomes. However these arguments are largely academic, due to the low level of wages traditionally paid in sheltered employment.²⁴ In June 1990, 81 per cent of people receiving Sheltered Employment Allowance were earning \$40 or less per week.²⁵ This low wage was acknowledged by the Spastic Society of NSW. The organisation argued that as effective marginal tax rates and the loss of fringe benefits affected only ‘something like 2 to 3 per cent’ of people with disabilities in employment, such disincentives could and should be ‘addressed as a matter of urgency’, presumably because the effect would be minimal on government but appreciable for individuals. The organisation believed that the problem could be overcome by people with a disability paying tax on the same basis as non-disabled workers – PAYE.²⁶ However, this solution to the problem does not directly address the major concern which others had – the fact of the low level of wages available in sheltered workshops.

7.32 The Office of Disability, and others, suggested that an unintended consequence of the income test arrangements was that:

... the ceiling level set on earnings, in combination with the risk of loss of fringe benefits, is used by service providers to justify the payment of low nominal ‘wages’ to people attending sheltered workshops.²⁷

7.33 A further difficulty, possibly resulting from the long association of low wages with sheltered employment, was the lack of understanding about the effect of tax rates on pensions or allowances. During the consultations following the release of the Ronalds Report, it was found that a ‘significant proportion of sheltered workers were under the (incorrect) impression’ that if their earnings exceeded \$40 per week they would lose their pension immediately.²⁸ The report concluded that further action was necessary to correct such a widespread misunderstanding of the income test:

23. *ibid.*

24. See above, Paragraphs 6.94-6.114.

25. Appendix 14, Table 2.

26. *Transcript of Evidence*, p. 430 (The Spastic Centre of New South Wales).

27. *Transcript of Evidence*, p. 4618 (DHH&CS). See Paragraph 6.97.

28. *Ronalds 2*, p. 47.

It is recognised that the publicity proposed for the disability reform package will explain the rules for income testing and their real effect on a pensioner's net income. However, part of that publicity needs to be specifically directed toward people with an intellectual disability.²⁹

7.34 Evidence from Summit Industries in Tasmania demonstrated that those workshops which have tied wages to increased productivity had found that the lack of understanding of the operation of the income test had given rise to a level of apprehension on the part of employees:

We find that it is always extremely difficult for people to understand what is happening to them. It has become more apparent to us because two-thirds of our people are now on that limit [\$40 per week] or over it, so it is affecting quite a lot of our workers, who find that they are losing some of their benefit because we are paying them over the limit. Most of them feel penalised for trying harder. They find it very difficult to understand the connection between the benefit and the wage that we pay, and we often find that either they or their parents request the forgoing of pay increases.³⁰

7.35 Summit had also found that the local DSS offices had difficulty explaining the operation of the income test to their clients. Clearly, a worker with a disability is better off in terms of net income if they are receiving an award wage rather than an income support payment (the costs of disability and loss of access to PHB card fringe benefits aside). However, the impact of the effective marginal tax rates is most severe for those in transition to a full wage – as their earnings increase they may feel that they are actually losing ground. This is likely to be the case if the total wage received is not seen as compensating them for the extra costs of employment (travel, clothing, etc.) or to meet medical expenses (once eligibility for the PHB card ceases). This situation is likely to continue in spite of the recent changes to disability support arrangements.

7.36 There appears to be considerable resistance by some people with disabilities to losing a proportion of their income support even when they are compensated by a net increase in income, and this difficult issue will not be resolved easily.

It seems to me that people who need the \$40 a week limit are still in an impoverished situation . . . I believe that the reductions should be more realistic and should allow people to reach a higher level of income before they become too vicious.³¹

29. *ibid.*

30. *Transcript of Evidence*, p. 5390 (Summit Industries).

31. *Transcript of Evidence*, p. 5392 (Summit Industries).

7.37 The issue needs to be addressed in the context of the disadvantages, as well as the benefits, of a fuller participation in society. Some people indicated there was a need to be compensated for having a disability³², either through quite generous taxation arrangements or through the payment of a disability allowance. It is possible that others believe the poor wages they have received in the past should be acknowledged by at least more generous concessions for the foreseeable future.

7.38 In itself, the situation in which people with high disability-related costs on moderate to high incomes find themselves is no different to that of people who, for whatever reason, have always been in receipt of low income, or do not qualify for a range of benefits. Clearly a number of people with disabilities experience some difficulty in accepting that a transition to improved wages and employment opportunities can be beneficial, and this is understandable. The new income support arrangements may go some way towards acknowledging their particular needs while also offering increased access to employment.

7.39 For some people with disabilities, as suggested above, the perceived loss of income security may be a factor which inhibits their ability to move towards open employment and increased wages. In other cases, pensioners may believe that they are being penalised for increasing their work capacity. Summit argued that if 'a person has come so far that he or she deserves a \$10 rise',³³ to give that person the full benefit of the rise they had to actually pay them \$20. This would suggest that there is quite a widespread belief that the efforts of people with a disability should be more explicitly acknowledged.

7.40 However, wage rises to non-disabled people are not usually exempt from income tax and such considerations may be beyond the scope of the employer. Generally the discussion by individuals and organisations of the income test appears to overlook the fact that income support is intended to act as a safety net for those unable to support themselves by their own efforts and that the income test taper is one mechanism by which this objective is achieved.

7.41 The perceptions of some people with disabilities and their families/carers that the income test is inequitable is not likely to change. Recognition by government and the community of substantial effort and costs has increased in the past years but is not likely to be acknowledged through substantial financial changes. Compensation for lack of access in the past and present to well paid employment would seem remote, especially in view of the inequity experienced in this area by other groups in the community. While there may continue to be dissatisfaction because of perceived inequity, it is possible that some changes in attitude of people with disabilities will occur simply through people moving from the low wages associated with sheltered employment to an open wage system.

32. *Transcript of Evidence*, pp. 5580-81 (National Multiple Sclerosis Society of Australia). Disability Allowance is referred to below in Paragraphs 7.143-7.146, and see Recommendation 1 of this Chapter.

33. *Transcript of Evidence*, p. 5390 (Summit Industries).

Perceptions of those in other forms of employment

7.42 People with disabilities who have moved from non-employment or sheltered employment to open employment appear to have had fewer reservations about the impact of the effective marginal tax rates. An Office of Disability survey of new vocational services undertaken for this inquiry found that almost all respondents, when asked which they preferred, wages or an income support benefit, said that they would prefer a wage. They preferred wages for a variety of reasons; the increased income; the fact that wages seemed more socially desirable (for example 'not living off society', 'rather put in than take out of the tax system'); and convenience and independence.³⁴

7.43 While this may reflect social pressure to be independent and the value which is placed on 'work', it is clearly a significant factor in the attitude of some people with disabilities. The independence and greater sense of self-worth expressed by others in open employment suggests that in the longer term, these experiences may override initial reluctance.

From my experience, I know that people with disabilities who work in sheltered workshops want better working conditions, a safer place to work in, better variety in jobs that they get given. They also want more options in the sort of employment that they get, and they want better education so that they can get a better job, and they want a real pay for a real job.³⁵

7.44 In the short term, however, more effective and appropriate information should be made available to people with disabilities and their families about the operation of the pensions income test when considering a move from income support to a salary or wage based income.

7.45 Such information/education packages should have at least two objectives. The first is to make available practical and understandable information on the range of effects of moving from full to part, or no, income support. The second objective should be a long-term one, to develop an awareness that the social security system was developed on the basis that those who are able to contribute to their own support have less need of the 'safety net' and their payment is adjusted accordingly. Because people who have worked in sheltered employment may have limited knowledge of the philosophy of income support they may be less aware of the principles governing targeting.

34. Office of Disability survey, *op.cit.*, p.8.

35. *Transcript of Evidence*, p. 4873 (Disability Advisory Council of Australia).

Recommendations

The Committee RECOMMENDS:

3. That relevant Departments provide appropriate information on income support, wages and taxation to people with disabilities who either have little work experience or whose main work experience has been in sheltered employment. Such information should be presented in 'plain English' and in an accessible format. Regional departmental offices should ensure that there is a nominated contact officer able to deal with queries about the income test from sheltered employees and particularly people with intellectual disabilities.
4. That access to counselling and advocacy services should also be available to assist people with disabilities to understand the principles of income support, and the ways in which increased income affects income support levels.

Fringe Benefits

7.46 All pensioners qualify for medical and hospital benefits under Medicare. Additional benefits are provided for eligible pensioners and their dependants by the pensioner health benefits (PHB) card. The card entitles the holder to a range of non-cash benefits from Commonwealth and State governments as well as from the private sector. Commonwealth concessions include:

- pharmaceutical benefits scheme (PBS) products at the concessional cost of \$2.60³⁶;
- free optometrist consultations and hearing aids; and
- telephone rental concessions, reduced fares on Australian National Rail and postal redirection concessions.

Many medical practitioners also bulk bill card holders.

7.47 State, Territory and Local Government services may offer concessions on payments for gas, electricity, water rates, public transport, public housing, health and welfare service. Concessions offered by the private sector may include concessional rates on admission charges, for example, to movies, theatre or other recreational activities. Reduced travel costs were one of the most important fringe benefits for those involved in the consultations on the Ronalds report.³⁷ Concessional entry to entertainment events was also valued by some participants. Most did not have their

36. Until 1 November 1990 a PHB card entitled pensioners to receive PBS items free of charge. However pensioners receive a supplement to their pension payment to offset the changes to the PBS scheme, including concessional cost increases.

37. *Ronalds 2*, p. 48 'An analysis of those parts of the fringe benefits used most frequently by participants indicates that the travel concessions represent a real saving'.

own households and were either living with their parents or in group accommodation³⁸, therefore the rates and telephone rebates were not regarded as important.

Housing

7.48 While there has been little consideration of the effects of increased income on housing and other costs, it is important to ensure that there is some period of grace or longer term consideration in respect of housing arrangements if these are subject to income tests.³⁹ As was noted above, a number of factors can contribute to make access to open employment difficult. If an increased income jeopardises the subsidised housing that a person with disabilities may have obtained, it may be necessary for relevant authorities to consider the benefits of the person retaining such accommodation, especially if relocation would mean additional travel to employment.

Recommendations

The Committee RECOMMENDS:

5. That State and local authorities allow people with disabilities, whose financial circumstances have improved, to retain access to public housing.
6. That rental assistance be maintained for 12 months for people with disabilities who have moved into employment which increases their income beyond the usual rent assistance limit.
7. That in planning housing, the relevant governments and authorities should take into account the needs of people with disabilities for appropriate design and location of housing. Relevant location factors should include access to transport and required services, and access to employment. Design factors should include one-level housing, ramps etc.

Health Care Costs

7.49 While eligibility for a PHB card is subject to both an income and assets test, it is the income test which acts as a disincentive to workforce participation. At 31 December 1990 eligibility for a PHB card ceased when non-pension income exceeded \$99 per week (single) or \$170 per week (married combined).⁴⁰ Special conditions governed the eligibility for PHB card when an increase in non-pension income exceeded the income limit by less than 25 per cent of that income limit over

38. As noted above, one of the reasons why people with disabilities have been able to survive financially is because of indirect housing or other subsidies from parents/family; group home rent/payment may also not reflect market rates. See above, Paragraph 2.17.

39. *ibid.*

40. Add \$20 per week for each dependent child/student.

a short period. Eligibility for PHB card ceases when income exceeds 125 per cent of the income limit.⁴¹ This clearly has been a disincentive for those undertaking part time work or those in a sheltered or supported employment environment whose earnings exceed the PHB income test threshold. However some relief is provided for pensioners whose entitlement to pensions or allowance ceases because of income from employment. Some fringe benefits were maintained by the retention of a card for 12 months following commencement of employment. The recent changes to legislation⁴² enable the retention of the PHB card for twelve months by those previously on the pension, who have now moved into employment. This should assist people in establishing themselves and adjusting to different budgeting arrangements.

7.50 A number of submissions argued that the move from the pension to full employment may leave former pensioners in a worse position financially, partly because of the loss of fringe benefits – particularly the loss of access to free health care.

The present Social Security limits on people receiving benefits earning extra money are very definite disincentives. People with mental health problems need the time to test out how feasible work is for them, without the fear of losing the security of their pension, or the very important ancillary benefits. It must be understood that the nature of psychiatric disability is basically episodic and that it would be a very brave person indeed who gave up their pension for paid employment when in fact they may experience debilitating health problems within a few months.⁴³

People with disabilities who have high medical needs can believe it is too much of a risk to go into open employment with the possibility of losing health benefits after 12 months of open employment.⁴⁴

7.51 While the loss of fringe benefits is widely recognised as a disincentive for all pensioners when testing their workforce potential, the major problem which emerged from submissions to this inquiry is that people with disabilities were fearful of losing their access to pharmaceuticals under the PBS scheme (now supplied at a concessional rate) and to the various State and other private schemes which provide aids and appliances either at no cost or subsidised to people with disabilities. Many people with disabilities are concerned that either the level of health care maintenance required for their condition is such that they could not meet the unsubsidised cost, or that, should their health deteriorate after gaining open

41. See above, Paragraph 7.26.

42. Outlined above at Paragraphs 7.17-7.22.

43. Submission No. 149 p. 2 (Victorian Mental Illness Awareness Council).

44. *Transcript of Evidence*, p. 5195 (PE Personnel). See also the Report of the Senate Standing Committee on Community Affairs on the *Social Security (Disability and Sickness Support) Amendment Bill 1991* August 1991, Appendix 3, p. 6.

employment or as a result of age (or premature ageing because of disability), they may not be able to meet their health costs. PBS items, specialist and therapeutic consultations and aids and appliances were considered as the major likely costs.

7.52 During the consultations on the Ronalds Report it was found that the fear of the loss of fringe benefits was often a greater disincentive than the loss of income support itself.⁴⁵

Many participants agreed that they used the fringe benefits marginally or irregularly, but it was the threat of their possible loss which deterred them from exploring other opportunities.⁴⁶

7.53 As noted above, from 12 November 1991 former pensioners retain their eligibility for the PHB card for 12 months from commencement of employment, and this should address many of the concerns noted. However, although the PHB card may be a form of security rather than a real need⁴⁷, it is important that constant monitoring of health costs for people with disabilities be established. There could be a considerable degree of variation in health and health-related costs depending on type and level of disability. Some of the persons commenting on the first Ronalds report appeared to use the Pensioner Health Benefit card infrequently unless there was a need for specific medication.

Use of the pensioner health benefit card was minimal amongst most people with an intellectual disability, except where they had uncontrolled or minimally controlled epilepsy which required constant monitoring by a medical practitioner. Also, a few participants indicated that they took regular medication for "behavioural problems", and these required regular medical visits. Otherwise, they had the needs of the majority of the community. For some people with a physical disability also, visits to a medical practitioner may be more frequent, depending on the nature of their disability.⁴⁸

7.54 Health cost monitoring on a consistent basis would assist in determining the real costs of employment and would be an important aid in determining separate components of any disability allowance, should this be agreed to.

45. *Ronalds 2*, p. 48.

46. *ibid.* See *Transcript of Evidence*, p. 377 – the Spastic Centre of New South Wales recommended that there be no loss of fringe benefits at all for all people earning less than award wages, that is those on SEA, slow workers permit or productivity based pay.

47. See above, Paragraph 2.22. See also *Ronalds 2*, p. 48.

48. *ibid.*

Recommendation

The Committee RECOMMENDS:

8. That the Department of Social Security and the Department of Health, Housing and Community Services establish a research project (based on the DSS *Costs of Disability* Study) to determine health care costs for people with disabilities. A select group of people with disabilities should be studied over a 5-year period, with reports being made at the end of each year, including at the end of the 5-year research period.

Transition measures

7.55 A number of measures existed in the previous system to assist pensioners⁴⁹ in transition to the workforce and these have been enhanced (and in some instances, replaced) by the disability reforms. What emerged from the evidence submitted over 1989-1991 is that there has been a very low level of awareness of these measures and the take-up rates appear to have been quite low. A DSS survey⁵⁰ in 1987 found that the transition measures were largely unknown and that there was a 'clear need for more effective publicity of these forms of assistance.'⁵¹ Submissions to this inquiry have further demonstrated that many people were unaware of these provisions.

From our observations, the changes which were implemented from the beginning of 1988 [sic] which relaxed work force entry requirements and encouraged a trial period of up to a year's full-time work, have not been known, let alone fully understood by many people. For others this change was not satisfactory because it failed to recognise that some people can only manage part-time work.⁵²

7.56 Again, this suggests that information on available services may not be reaching particular groups or may not be formulated sufficiently clearly or adequately communicated. As with other recommendations concerning the development of appropriate information packages, it should be noted by relevant Departments that both the content of information services and their effective delivery may require greater research which takes into account the factors outlined in previous chapters.

49. Unless otherwise stated 'pensioners' includes sheltered employment allowees.

50. M. Newey (1987), *An Examination of Invalid Pensioners in Transition to the Workforce*, Background/Discussion Paper No 15, Social Security Review, AGPS, Canberra, p. 36 and cited in *Transcript of Evidence*, p. 4805 (Disability Advisory Council of Australia).

51. Newey, *op.cit.*, p.36.

52. From Yooralla Society of Victoria submission (in response to SSR Issues Paper No 5). See Submission 107, p. 5 of response to issues paper.

7.57 It is also important to note that there could have been limited access to such transition measures because of the emphasis on full-time work.⁵³ While there is an increasing awareness of the fact that people with disabilities have a wide range of work needs including part-time work, it may also be necessary for some training to be provided to departmental officers responsible for developing services to ensure that this awareness is common to all staff. This point was made in the Social Security Review Issues Paper No. 5, which noted the importance of part-time work in meeting employment opportunities for those unable to undertake full-time work.⁵⁴

7.58 At the beginning of 1983 special arrangements were established for invalid pensioners and Sheltered Employment Allowance and Rehabilitation Allowance recipients re-entering the workforce, in recognition of the particular medical and other barriers to their employment. These measures were designed to counter the reluctance of pensioners to test their workforce potential because of their fear that, given the emphasis on 'permanent incapacity', they would be disqualified from receiving the invalid pension should their work attempt fail. SEA recipients have been allowed a longer period to test their workforce potential than have persons on the invalid pension.

7.59 Normally when a pensioner's private income exceeded the income test limits for eligibility his/her pension was cancelled. However, if an invalid pensioner had private income from employment, the transition measures allowed for the pension to be suspended initially for a period of three months. If the work attempt failed in the first three months, the pension was restored without the need for a medical examination. Sheltered employment allowees were initially suspended for 12 months before their entitlement was cancelled. If the allowee had to give up his/her job within this period and was placed in a sheltered workshop, the Sheltered Employment Allowance was restored without the need for a medical examination.

7.60 However, there were some problems with this system, which did not cover people who had not been assessed for the invalid pension. This was noted by the Epic Employment Service of Queensland:

... the problem arises when a client is placed in open employment and they fail (due to varying factors). The client is often not accepted back in Sheltered Employment and we do not recommend it as we provide greater resources to hopefully replace the client in open employment as soon as possible. But the client within this stagnant period is not eligible for Sheltered Employment Allowance, cannot receive the Invalid Pension as they have never been assessed and must apply for Unemployment Benefit.

53. See above, Paragraph 7.55.

54. See *Toward Enabling Policies: Income Support for People with Disabilities*, Chapter 8.

Unfortunately, it can take up to 3 months to process application for the Invalid Pension and this delay coupled with the financial drain of being on Unemployment Benefits with no side benefits is very stressing.⁵⁵

7.61 Where pensioners were aware of the transitional provisions, these were often considered not as providing sufficient incentives to test workforce potential. The DSS survey⁵⁶ had found that ex-pensioners believed it was essential that there should be some assurance of the resumption of income support should their attempts at working not succeed. Even among those survey respondents who were aware of the provisions 'a number felt that these provisions were inadequate to provide the necessary sense of security'.⁵⁷ This finding was endorsed by the Disability Advisory Council of Australia in their evidence to the Committee in late 1990:

Security in resuming pension if open market employment is forgone can be central to deciding whether to enter the workforce. Council [DACA] is aware of the current invalid pension provisions that exist to cover this situation. However, we believe that the 3 month period should be extended to 2 or 3 years. This would enable a person with a disability to make a realistic and positive assessment of their job potential. It would also allow sufficient time to obtain suitable job experience.⁵⁸

7.62 This need for a sense of security may be quite widespread, reflecting the importance of providing a sufficiently long period of time for people to gain assurance. To some extent this need has been met by the new DSS arrangements which allow for a return to the pension. Nonetheless, it may also be necessary for individuals or people with specific types of disability to have access to a longer transitional period. This was seen as particularly important for people with psychiatric disabilities:

Those people who are on invalid pensions should be able to feel secure in the knowledge that if they undertake employment which fails, they can revert to the pension without going through a protracted re-assessment for the pension. The fear of losing the pension is often an inhibiting factor which prevents some individuals seeking employment.⁵⁹

55. *Transcript of Evidence*, p. 4189 (Epic Employment Service, M.O.R.E. Inc.).

56. See above, Footnote No. 50.

57. Newey, *op.cit.*, p. 36.

58. *Transcript of Evidence*, pp. 4805-6 (Disability Advisory Council of Australia).

59. Submission No. 56, p. 2 (Department of Health Mental Health Services, North Coast Region, Lismore, NSW).

7.63 Some services criticised the policies on cancellation and/or the reinstatement of the invalid pension because there was no consideration of a person's initial support need or the time it may take to ascertain if the individuals could cope on their own; 'immediate cancellation assumes that a person's disability has ceased, this is not the case'.⁶⁰ It was also stated that the interpretation of the guidelines governing transition to the workforce had been, on occasion, inconsistent.

Each office of the DSS has a different policy on amount of time after employment is obtained that the pension is cancelled and the person must be reassessed before it can be reinstated. Often this creates too great a risk for some to consider getting work and going off the pension.⁶¹

7.64 Vocational services reported that their clients have sometimes encountered a lack of understanding on the part of DSS officers of the role and objectives of DSA services which has had the potential to adversely affect their pension entitlement.⁶²

One of the problems associated with lack of knowledge about, or understanding of, the aims of CETP services, is the criteria applied by officers of the DSS with regard to continued eligibility to the Invalid Pension. Many CETP clients who have not achieved long term success in a placement have had to argue strongly that they were only able to achieve a period of employment because of the additional, intensive support offered by CETP staff. Their intellectual disability has not changed over time. It has often been only after extensive advocacy on behalf of CETP workers that a client's IP status has been recognised.⁶³

7.65 During its demonstration phase Jobsupport had encountered some difficulties in ensuring that their clients retained their eligibility for the Invalid Pension on medical grounds, until it was recognised by the DSS State administration that they were in supported rather than open employment.⁶⁴ JobMatch in Tasmania had also encountered problems with the rigorous administration of the Work Efforts Test for people with intellectual disabilities on unemployment benefit, who, while they were highly motivated to work, were unable to meet the Work Efforts Test in full due to

60. *Transcript of Evidence*, p. 5664 (Western Vocational Association).

61. *ibid.*

62. See Submission No. 120, p. 3 (Competitive Employment Interagency of NSW).

63. *ibid.*

64. *Transcript of Evidence*, p. 520 (Jobsupport Inc.).