



Physical Disability Council
New South Wales

Physical Disability Council of NSW Inc

PO Box 977, Mascot NSW 1460

Telephone: 02 8338 1900, Freecall: 1800 688 831

Facsimile: 02 8338 8244

Internet: <http://www.pdcnsw.org.au>: email: pdcnsw@pdcnsw.org.au

16 December, 1999

Mr. Patrick McLure
Chairperson, Welfare Reform Review
PO Box 7788
Canberra ACT MC 2600
welfare.reform@facs.gov.au

Re: DISCUSSION PAPER ON WELFARE REFORM

Dear Sir,

The Physical Disability Council of NSW (PDCN) is the major peak organisation representing people with physical disabilities in NSW. Its Committee of Management is made up of 14 people with a wide range of physical disabilities in both metropolitan and rural NSW, 3 parent representatives, 3 service organisations representing over 12,000 members, and one individual from the community without a physical disability.

PDCN provides the communication link between people with a physical disability and decision makers in government, business and the local community.

We welcome the opportunity to respond to Senator Newman's Discussion Paper. Our response is given in the attached detailed and comprehensive paper.

This paper has been prepared in consultation with all members whose Email addresses we have on record and who have access to the Web. In addition, the first draft has been fully discussed and accepted by our Management Committee. The evolving draft has been shared with other peak disability groups through both the PDCN Web site and a Discussion Form on the NCID Web site. It has also informed the submission of the Physical Disability Council of Australia.

The principal author has been Dr. Jack Frisch, who should be contacted about the PDCN submission in the first instance on 02 9327 6919 or 0416 276 919.

If you have any questions, please contact Dr Frisch or our Executive Officer at the address/phone/Email above. This submission will be posted to the Documents page of our Web site on www.pdcnsw.gov.au.

Yours sincerely,

John Moxon
(President)

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RECOMMENDATIONS

Recommendation 1 - p.10

That the Commonwealth Government should commission independent research into the reasons for the acceleration in the number of DSP recipients and the number of people with disabilities.

Recommendation 2 - p. 10

That the Reference Group on Welfare Reform should refer the effect of Federal-State relations the effect of common law compensation practice on creating inequities among people with the same disability to the appropriate forum of Commonwealth-State Ministers and the Law Reform Commission respectively.

Recommendation 3 - p. 11

That the Reference Group on Welfare Reform should acknowledge the effect on incentives to return to work of:

- state programs such as Home Care and PADP. These essential supports must be ‘factored-in’ to calculations of levels of income support in the new mechanisms that make it possible for people with disabilities to manage successfully the transformation to work,.
- the impact of ‘user-pays’ for services, whereby contributions based on the level of income are increasingly to be called on by disability service providers so that they can cover their budgets
- systemic barriers in social, economic and public life which inequitably and unreasonably restrict the opportunities of people with disabilities to exercise the same set of choices as other Australians.
- the inaccessibility of the community infrastructure in increasing the cost of employment.

Recommendation 4 - p. 12

That, because of deeply felt concerns about the veracity of much of the statistical base used to underpin some of the Discussion Paper’s assumptions, the Reference Group on Welfare Reform should re-examine the methodology that is used to measure:

- the potential and actual economic and cultural contribution of people with disabilities
- the cost to society of excluding people with disabilities from participating in the economic and cultural life of the community life.

Recommendation 5 - p. 12

That the Reference Group on Welfare Reform should recognise the crucial expertise that people with disabilities bring to their own independent living situation and aspirations. People with disabilities are expert in their own right and have the greatest interest in providing the right balance between individualised support on the one hand and systems of checks and balances on the other.

Recommendation 6 - p. 13

That the Reference Group of Welfare Reform recognise that reforming welfare policy requires acknowledgement that factors such as the distribution of income, wealth and employment; the stock of social capital; and a sense of security and social calm are also important necessary conditions which should inform sound fiscal policy.

Recommendation 7 - p. 14

That the Reference Group on Welfare Reform should add the following principles to its examination of the low workforce participation of people with disabilities:

- Systemic barriers in the world of work make it more difficult for people with disabilities to receive fair treatment in a competitive employment market. Put simply, the 'playing field' is not level. People with disabilities face barriers and inhibitors that are not encountered by employees and potential employees with no physical disabilities. These barriers occur in the built environment, transport, personal assistance support, inappropriate employer and public attitudes. Action must be taken at the systemic level. If necessary, incentives for employers should be made available and improved to make it more possible for them to employ people with disabilities
- Incentives for designers of goods and services (buildings, transport systems, human resource and communication systems, delivery and distribution systems) should be seen as part of the systemic reform required to promote the adoption of universal design criteria so that the community infrastructure is accessible to the whole community
- Opportunities must be created for individuals without disabilities, including employers and employer organisations, to learn about the need for systemic reform to make it possible for employment systems to respond equitably to the requirements of people with disabilities
- A commitment by organisations seeking to effect systemic change to link realisable action plans with reasonable time frames to new and deeper understanding of the need for such action planning will be essential to a programme of reform intended to provide incentives to work..

Recommendation 8 - p. 18

That the Reference Group on Welfare Reform should refer the issue of the disabling effects of the inaccessible community infrastructure for further research by experts with experience and knowledge of the consequences of such barriers. Particular reference should be made to:

- the enabling actions required to eliminate inequitable barriers which restrict the choices and opportunities for involvement in the community and work place by people with a wide range of disabilities
- the critical levels at which minimum thresholds of accessibility transform the community infrastructure
- the appropriate roles of both the market and the public sector in creating an accessible community infrastructure.

Recommendation 9 - p. 20

That the cost offsets of disability be separated from income support and that the DSP be replaced by a system of

- a) Individualised Disability Allowance for offsetting the cost of disability and
- b) income support arrangement for unemployed people.

Recommendation 10 - p. 23

In light of their effect on incentives:

- the service criteria applied by State programs should be co-ordinated by the Commonwealth
- cost-of-disability offsets such as a Disability Allowance should not be income tested
- the effect of the inaccessible community infrastructure on the cost of earning income be considered in setting allowances designed to offset the cost of disability

Recommendation 11 - p. 24

That if unemployment income support and cost-of-living offsets are not separated and the DSP is maintained, the DSP should be unlinked from the Age Pension, and the taper rate for the DSP should be reduced from 40% to the same level as Family Allowance – expected to be 30% under the New Tax System.

Recommendation 12 - p. 25

That if the Commonwealth Governments takes action to organise trials of vouchers schemes and/or pilot programmes of privatisation, such initiatives should only be undertaken if:

- there is certain to be genuine competition between a range of service providers
- an independent complaint mechanisms with enforcement and deregistration powers is available
- service delivery standards accommodate the needs of individuals with the highest support needs and their right to live independently and with dignity in the community.

Recommendation 13 - 25

That voucher scheme trials and any privatisation pilot programmes for government service provision should be considered only after meaningful consultation with people with disabilities.

Recommendation 14 - p. 28

That the Reference Group on Welfare Reform should not place undue emphasis on voluntarism unless and until there is a commitment by government to increase funding to the non-profit and community sectors to enable the absorption of volunteers with disabilities.

Recommendation 15 - p.29

That the Reference Group on Welfare Reform should view the part played by the increased expenditures on addressing the needs of people with disabilities as an intertemporal redistribution of income instead of as an interpersonal redistribution of income i.e. as insurance by people without disabilities against potential circumstances, shared by all, that in the future any individual, family member of friend may acquire a disability.

Recommendation 16 - 32

That the Reference Group on Welfare Reform call for delay of disability reform pending research and understanding of the reasons for workforce participation of people with disabilities, and that such delay need not delay the government's welfare reform agenda.

PHYSICAL DISABILITY COUNCIL OF NSW SUBMISSION
SOCIAL WELFARE REFORM DISCUSSION PAPER
SECTION 1
INTRODUCTION

a. Current System Inequitable, Inefficient, Outdated

The PDCN believes that the need for a comprehensive review of social security support for individuals excluded from mainstream social, cultural and economic activities is long overdue. We welcome, therefore, the major review initiated by Minister Newman of the safety net supports for people with disabilities. We believe that the current support arrangements are **inequitable, inefficient and outdated**.

The supports are **inequitable** because:

- People with the same physical, sensory or intellectual impairments are treated differently depending on the origins of those impairments - whether acquired through an accident where compensation is paid, for example, or whether acquired by birth or through an accident where compensation is not paid
- People with different impairments are treated the same even when the additional **cost of living due to the effect of disability are substantially different**. Some people receive a DSP benefit even though they incur no additional costs resulting from their disability, while others receive no more than the DSP even though they incur thousands of dollars of additional costs due to their impairment and the social exclusion resulting from disability.
- People with the same impairment are treated differently depending on **where they live**. Differences occur not only between states, but also across local areas. Support systems which are designed to promote social inclusion, such as Home Care and PADP, have been increasingly restricted and reserved to local areas in ways which discourage a person from moving between areas.

The supports are **inefficient** because they discourage workforce participation rather than encourage it, and thereby lead to a wasted resource in the Australian economy. (See p. 21 ff)

The supports are **outdated** because they assume that people with disabilities are a homogeneous group. The reverse is true. Disabled people are a heterogeneous group in which each individual's impairment requires that support systems and organisations recognise and respond to substantially different support needs, significantly different social needs and a different range of abilities. The differences moreover have both quantitative and qualitative significance.

People with physical, sensory or intellectual impairments have no more or less in common with each other than do people with blue, green or brown coloured eyes. People with disabilities share nothing in common, necessarily, other **than their demand for society's acceptance of their difference**. This common demand provides a strong cultural and political bonding, but the nature of any individual's need for support varies across the community of people with disabilities. In some cases the demand for acceptance involves nothing more than **psychological** acceptance. In other cases the acceptance involves no more than **flexibility** and a little problem-solving ability on the part of the able-bodied. In some cases the acceptance involves accommodations with a **financial** commitment – by the community, by the employer, by the retailer, by the educator – sometimes a small financial commitment, and sometimes more significant financial commitment. In some cases the acceptance involves all of the above elements.

b. Recognition of the Issues

PDCN welcomes the recognition that **increasing the workforce participation** of people with disabilities is **important** since people with disabilities face social isolation and want to work. As has been shown by the Australian Bureau of Statistics' *Survey of Disabilities* (1993 and 1998) people with disabilities have more time and less money available than they would like. For many, work provides the only accessible social milieu apart from family or a limited set of personal contacts determined more by the constraints of an inaccessible infrastructure than by personal choice. Work can and does provide the means for the independence, the self-esteem, and the dignity which every human being craves.

PDCN welcomes the recognition that increasing workforce participation will require:

- “a host of other **services and supports**” and a “stronger focus on prevention and early intervention” - since we believe that Australian society as a whole and our economy will benefit enormously from the significant investment required to increase the workforce participation of people with disabilities (p.6 and p. 8 of Discussion Paper)
- flexibly tailored assistance focussed on the individual rather than arbitrarily defined categories or groups of people with disabilities, since the support systems required vary significantly across disabilities and cannot be homogenised (p. 10 of Discussion Paper)
- a “**social coalition**” – not only between employers and people with disabilities, but a coalition that seeks to include all stakeholders in a more socially inclusive Australia: builders, retailers, transport and education providers, and all levels of government. In short – all of Australian society working together towards the common goal of equality of opportunity. (p. 7 of Discussion Paper)
- changes to **incentives and disincentives** – focusing not only on labour supply, but also on the demand for labour and on the builders of infrastructure
- a change in **anachronistic attitudes** which assume that people with disabilities cannot be employed and do not want to work.

c. Issues of Concern

While welcoming many of the concepts of the Discussion Paper, we believe that:

- in many places the focus is too narrow, and should broaden to include such issues as:
 - the role of the States and Commonwealth in ensuring consistency, efficiency and equity
 - the background community infrastructure which diminishes workforce opportunities and
 - systemic failures and inadequacies which erect barriers for people with disabilities that are not encountered by other members of the work force.
- in many places there is undue focus on people with disabilities and insufficient focus on the role of employers, planners, builders, designers, educators and other external factors constructing barriers of inequality of opportunity for people with disabilities
- before major structural reform of current income support systems is undertaken, more research is required into understanding:
 - the causes of the workforce participation-DSP problem and
 - the nature of disability labour force behaviour.
- framing the Discussion Paper in terms of “welfare dependency” instead of “**social exclusion**” is unhelpful in promoting the goodwill of people with disabilities to work with government towards a better system of income security, and has made many people unnecessarily alarmed and insecure about the Government’s real agenda.

PDCN believes that the real issue of income security is one of low workforce participation caused by an inadequate social infrastructure, discrimination, inadequate accommodation to the differences of people with disabilities, and a cultural bias towards competitive individuality and away from mutually supportive and beneficial community involvement and participation.

PDCN furthermore believes that the social security challenge is not only to increase the participation in the workforce of people with disabilities, but also to decrease the social exclusion of groups and individuals who are excluded from the benefits of a post-industrial affluent democratic society. One goal of a reformed income support system should be to eradicate the conditions which result in some social groups and individuals merely existing from day to day as **second-class citizens**.

The basic thrust of our submission is that **the workforce participation issue is global and structural** (i.e. much broader than the level of DSP and DSP criteria) and requires **meaningful multidisciplinary research lead by development oriented economists** (as opposed to microeconomists) so that Government and the community can begin start to understand that:

- unemployed and poorly paid people with disabilities are economically wasted and exploited
- the positive economic and cultural potential of people with disabilities is real, and not merely a slogan of political correctness
- there is economic and political significance to the fact that able-bodied people are only one incident away from acquiring a disability, having a friend or loved one acquire a disability, or having a child or grandchild born with a disability.

SECTION 2

ASUMPTIONS AND PRINCIPLES

a. Assumptions

The Discussion Paper asserts that the accelerating increase in the number of welfare recipients is a problem, citing the breaking in recent years of the statistical relationship between the number of DSP recipients and the unemployment rate. The Discussion Paper asserts that the problem lies in

the social security system. While we accept that there are enormous problems with the social security system, we believe that the **nature of the problems are not well understood** and that it is premature to put the onus of solution on the DSP simply because there has been an acceleration in the number of DSP recipients and a breaking of the relationship with unemployment rates.

Thus how much of the acceleration is due to a **substitution of DSP benefits for unemployment benefits?** There is a good deal of anecdotal evidence suggesting that it has been the policy (of both Labour and Liberal governments) to have unemployed people move off unemployment benefits onto the DSP. The suggestion is that governments

- don't like high headline unemployment rates because this makes the majority of employed voters express their anxiety against governments
- don't mind large number of DSP recipients because this makes governments look generous, new recipients grateful to be on a higher "unemployment" rate, and makes the majority of voters express their anxieties against recipients rather than governments.

This "massaging of statistics" might better explain the lack of correlation in recent years between unemployment rates and the number of DSP recipients than the Welfare Dependency model proposed by the Discussion Paper (pp. 5-6).

The acceleration in the number of DSP recipients also begs the question as to the balance between **demand and supply** factors since the location of the balance has an important bearing on policy. Thus, how much of the acceleration is due to **changes in medical technology and the nature of work** and how much due to changes in social security provisions? The Discussion Paper pays no attention to the technological factors which have increased disability. Thus, improved Emergency Services responses to road traffic accidents have led to spinal cord injury and ABI instead of death. Similarly, our social welfare and support systems face new challenges as a consequence of development at both ends of the age spectrum. Many more Australians are living to substantially older ages than in previous generations. Advances in post-natal support for premature and/or babies with disabilities demand new responses from all. There have also been fundamental changes in the nature of work as we move into the 21st Century, with increasing substitution of intellectual work for manual work and increased tension, stress and pressures in the culture of the workplace.

Finally, even if it has been generous social security provisions which has led to the acceleration in the number of recipients, which PDCN believes is not the case, there is **no evidence to suggest that the current DSP level is too high or that current DSP criteria too lax** as opposed to being the right balance.

Before embarking on major structural reform it is necessary to conduct independent research into the causes of structural changes. If the Government fails to commission such research, there will be substantial **wasted expenditures and undue insecurity**. PDCN believes that radical structural change based on assertion and ideology is poor economic management.

Recommendation 1:

That Commonwealth Government should commission independent research into the reasons for the acceleration in the number of DSP recipients and the number of people with disabilities.

b. Principles

While the principles which inform the Discussion Paper appear to be beyond debate, in practice the application of the principles raises a number of questions, and the principles fail to address many broader principles which are important to many people with disabilities.

i. "Maintaining equity, simplicity, transparency and sustainability"

While **simplicity** is a fine ideal, it is perhaps idealistic and naive to place it at the top of the agenda of principles because it is more than likely an illusory ideal. It is the potential for opportunistic behaviour which makes policy makers introduce and adopt complex rules, regulations, controls and interventions. Yet because of the inevitable heterogeneity of disability, there is much scope for opportunistic behaviour - by people with and without disabilities, by carers and service providers, and by employers - so the system must be sufficiently sophisticated

and robust to address the diverse needs of genuine applicants while discouraging opportunism and/or abuse. If PDCN has to choose between efficacy and simplicity we believe that it will always be correct to select the system that works instead of a system that is simple.

The **equity** principle is also a fine ideal. Nowhere in the Discussion Paper, however, is there any reference to two of the principal issues which lead to people with the same disability being treated differently – i.e. according to where they live, and according to the circumstances or origin of their disability. The equity principle, if it remains undefined or inadequately framed, brings into question:

- **Commonwealth-State** relations since the source of many of the labour market disincentives and mobility disincentives arise from State supports e.g. Home Care, PADP (see p. 21 below).
- **compensation for negligence** since people who cannot prove that their disability is acquired through a third party's negligence receive vastly inferior supports compared to a person who can prove negligence.

Both of these issues are “big” issues which go beyond the DSP into common law practice and Federal-State relations.

Recommendation 2:

That the Reference Group on Welfare Reform should refer the effect of Federal-State relations and common law compensation practice on creating inequities among people with the same disability to the appropriate forum of Commonwealth-State Ministers and the Law Reform Commission respectively.

ii. *Establishing better incentives ... so that work, education and training are rewarded*

PDCN wholeheartedly supports the notion of improving incentives so that work, education and training are rewarded. As shown in Section 4(b)(ii)1 below (p 21 ff), when taking into account

- the cost of going to work
- the tapering of PADP, Rental Assistance and the DSP with increased labour market earnings
- the tax scales and parameters that will operate under the New Tax System

the effective marginal cost of earning income at all but the lowest and highest income levels will be more than 60% of the income earned and in some income brackets the marginal cost of earning income will be over 100% of the income earned. That compares to a marginal tax rate of 17-30% for people without disabilities.

Recommendation 3:

That the Reference Group on Welfare Reform should acknowledge the effect on incentives to return to work of:

- **state programs such as Home Care and PADP. These essential supports must be ‘factored-in’ to calculations of levels of income support in the new mechanisms that make it possible for people with disabilities to manage successfully the transformation to work,.**
- **the impact of ‘user-pays’ for services, whereby contributions based on the level of income are increasingly to be called on by disability service providers so that they can cover their budgets**
- **systemic barriers in social, economic and public life which inequitably and unreasonably restrict the opportunities of people with disabilities to exercise the same set of choices as other Australians.**
- **the inaccessibility of the community infrastructure in increasing the cost of employment.**

iii. *“Contribution to Community”*

ABS data confirm that people with disabilities face high unemployment and social isolation. They have more time and less money available than they would like and are therefore a wasted economic resource. One of the principal reasons for an inability to contribute to the community lies with an inaccessible community infrastructure and patronising and/or exploitative community attitudes. To help people participate in the community requires a reliable and secure infrastructure of buildings, communication and transport, service delivery etc. and accommodative community attitudes and expectations. The Discussion Paper fails to recognise or acknowledge that systemic barriers make it more difficult for some people to contribute than others. People with disabilities face multiple and complex barriers in the physical, built, transport and work environments. These barriers are compounded by problems of attitude and approach to people with disabilities held commonly by others by virtue of fear, ignorance, lack of awareness or a combination of all of the above.

In Regulatory Impact Statements that have been undertaken in relation to both the Building Code of Australia and the Transport Standards, the **economic contribution of people with disabilities have by and large been ignored by unsound economic methodology** while intersectoral distribution issues which have no part in an economic analysis have been highlighted. The unsound methodology has diminished the economic contribution of people with disabilities.

By narrowly focussing on Income Support and Welfare dependency and not acknowledging the broader issues which cause low workforce participation, the Discussion Paper also implicitly diminishes the potential contribution of people with disabilities to the economic and cultural life of the community.

Recommendation 4:

That, because of deeply felt concerns about the veracity of much of the statistical base used to underpin some of the Discussion Paper's assumptions, the Reference Group on Welfare Reform should re-examine the methodology that is used to measure:

- **the potential and actual economic and cultural contribution of people with disabilities**
- **the cost to society of excluding people with disabilities from participating in the economic and cultural life of the community life.**

iv. More Tailored and Individualised Assistance

PDCN agrees wholeheartedly with the notion of tailored and individualised assistance, but are apprehensive about the role of “**expert advice and guidance**” as arbiters of individuality.

“Experts” who “guide” are often the greatest impediment to people with disabilities. We agree with the need for checks and balances to ensure minimising the number of opportunists taking advantage of the supports and accommodations supplied to people with disabilities. We believe however that **people with disabilities are experts in their own right**. People with disabilities themselves will have the **greatest interest in providing the right balance** between individualised support on the one hand and systems of checks and balances against opportunism on the other.

Recommendation 5:

That the Reference Group on Welfare Reform should recognise the crucial expertise that people with disabilities bring to their own independent living situation and aspirations. People with disabilities are expert in their own right and have the greatest interest in providing the right balance between individualised support on the one hand and systems of checks and balances on the other.

c. Maintaining the Government's disciplined approach to fiscal policy

We agree that good economic policy is good welfare policy, but believe also that **fiscal policy should target more than general employment growth and the expansion of consumer goods**. While we accept that a rapid growth in the production of consumer goods and services, a decrease in inflation, and lower general unemployment rates are **necessary** conditions for good economic policy, they are **not sufficient** conditions. The distribution of income, wealth and employment; the stock of social capital; and a sense of security and reductions in levels of social anxiety are also important necessary conditions which should inform sound fiscal policy.

We believe that the balances of fiscal policy is currently skewed towards individual consumerism rather than social cohesion, and therefore that the **current fiscal settings are unsound**. While we appreciate the need for a sustainable long-term budget balance, we do not accept that this requires a decrease in the size of government or social investment.

We believe that the level of taxes has been cut too far. We understand the public's lack of confidence in high taxes which are accompanied by poor public investment, but believe that this should be solved by increasing the productivity of politicians and bureaucracies rather than born by people with disabilities. We believe that taxes to support investment in disability policy will be accepted by the public if politicians and the bureaucracy make the effort to understand what makes good policy, and then sell such policy to the electorate that votes them in to lead in the national interest.

Recommendation 6:

That the Reference Group of Welfare Reform recognise that reforming welfare policy requires acknowledgement that factors such as the distribution of income, wealth and employment; the stock of social capital; and a sense of security and social calm are also important necessary conditions which should inform sound fiscal policy.

d. Additional Principles relating to Social Cohesion

The Discussion Paper fails to recognise or acknowledge that systemic barriers make it more difficult for some people to contribute than others. People with disabilities face multiple and complex barriers in the physical, built, transport and work environments. These barriers are compounded by problems of attitude and approach to people with disabilities held to commonly by others by virtue of fear, ignorance, lack of awareness or a combination of all of the above.

As a result, the Paper ignores incentives to employers and unions, to builders and transport operators, to educators and service providers, to employment agencies, and to local government and non-profit non-disability community organisations. In short, it fails to follow through on the "social cohesion" model in its enunciation of principles.

Recommendation 7:

That the Reference Group on Welfare Reform should add the following principles to its examination of the low workforce participation of people with disabilities:

- **Systemic barriers in the world of work make it more difficult for people with disabilities to receive fair treatment in a competitive employment market. Put simply, the ‘playing field’ is not level. People with disabilities face barriers and inhibitors that are not encountered by employees and potential employees with no physical disabilities. These barriers occur in the built environment, transport, personal assistance support, inappropriate employer and public attitudes. Action must be taken at the systemic level. If necessary, incentives for employers should be made available and improved to make it more possible for them to employ people with disabilities**
- **Incentives for designers of goods and services (buildings, transport systems, human resource and communication systems, delivery and distribution systems) should be seen as part of the systemic reform required to promote the adoption of universal design criteria so that the community infrastructure is accessible to the whole community**
- **Opportunities must be created for individuals without disabilities, including employers and employer organisations, to learn about the need for systemic reform to make it possible for employment systems to respond equitably to the requirements of people with disabilities**
- **A commitment by organisations seeking to effect systemic change to link realisable action plans with reasonable time frames to new and deeper understanding of the need for such action planning will be essential to a programme of reform intended to provide incentives to work.**

SECTION 3 COMMUNITY INFRASTRUCTURE

a. Fundamental Issue

There is little argument that “those of us who can contribute to the community should be encouraged and expected to do so” (p.9 of Discussion Paper). It is important, however, that we repeat our earlier observation that Minister Newman’s paper fails to acknowledge that people with disabilities can and do already contribute to Australian society in many ways, even though systemic barriers make it more difficult for those contributions to be made. More needs to be done to remove barriers and provide social investment support to people with disabilities to enhance their capacity to contribute further.

PDCN believes that change of a more fundamental order will be required if real progress is to be achieved. In the view of PDCN, the “host of other supports and services is needed” (p.6 of Discussion Paper) which are needed include:

- reliable personal assistance and support which extends to the workplace, school and training/education facilities
- accessible buildings and transport
- flexible accommodative work times and rosters
- a Disability Discrimination Act with enforcement provisions instead of a mere educative role
- appropriate occupational rehabilitation
- inclusive education and
- employment services which are fully sensitive to all the issues of people with disabilities.

Without these reforms many people with disabilities, particularly those with severe and profound impairments will continue to experience unjustifiable social exclusion because they cannot even get to a job interview let alone access the world of work reliably and consistently. Thus,

If the community infrastructure does not provide relatively seamless movement in time and space, people with severe and profound disabilities cannot be certain that it will be possible to get into an employment interview on time.

If the community infrastructure does not provide legal protections against discrimination, a person with a disability has little reason to believe that s/he will be judged on their ability rather than their erroneous perceptions of disability.

If industrial relations systems ignore the individual needs of workers who have demonstrated their ability to perform the tasks required for a job, people with disabilities may be placed at an unfair competitive disadvantage relative to other workers.

Without such reforms, many people with disabilities will continue to be denied routes into employment or will be unable to remain in employment because there is no ‘level playing field’ upon which all contributors can be judged equitably.

b. Necessary But Not Sufficient

These supports and services are moreover **jointly necessary, while none is by itself sufficient**. Thus:

- if a person needs personal assistance and support to carry out the tasks of daily living, then the absence of such assistance renders virtually meaningless any progress towards an accessible transport system. Similarly, accessible buildings are of little use to people with disabilities if there are no reliable, individualised personal assistance and support services to help people get washed, dressed, out of bed, etc., in the first instance.
- if the transport system is accessible but buildings are not, then the transport system is of little value to a wheelchair user or a person with ambulant disability since there is no viable destination. If buildings are accessible but transport is not, then there is little benefit accruing from that accessibility because the new opportunity cannot be realised by people with disabilities or turned into an asset which operates in favour of the community as a whole.
- if personal assistance is available and the transport systems and buildings are accessible but work rosters do not accommodate time out for attending to disability related functions, then there is little value to the other access components.

The need which PDCN sees for each component of the infrastructure implies that people and agencies, including Government, must commit themselves to the necessary processes of reform by adopting an **holistic approach** which recognises and builds upon the **inter-connectivity of all components**. We believe also that there can be no 'quick fix' when it comes to welfare reform. Increasing the workforce participation of people with disabilities will take a long time, over the lives of a number of governments.

c. Critical Threshold Community Infrastructure

The experience of people with disabilities is that the **community infrastructure is not seamless**. Crucially, any missing single component can result in a whole system collapse, which unreasonably and unfairly disadvantages a person with a disability. In addition to enormous levels of personal frustration, the systemic failure leads to considerable personal and systemic wasted time, money, energy and lost opportunity.

People with disabilities generally anticipate problems and plan movements as carefully as possible, but not everything can be anticipated and planned, and everything does not always work to plan. As a result, people with disabilities will only begin to feel confident that the infrastructure is seamless after a **critical minimum threshold of infrastructure components** is in place. Up to that point, the benefits of providing the components of access will not be obvious to either people with disabilities or to the community at large. The lack of confidence by people with disabilities in the whole system will mean that they will not fully utilise the component parts to their potential. Only when we can show that the Australian environment of work has attained the minimum threshold for equality of opportunity, will people with disabilities begin to feel confident that they will not be required to overcome systemic barriers.

Only beyond the critical threshold will people with disabilities begin to expect to get to a job interview on time at a relatively accessible location with an interviewer who will concentrate on ability, experience and skills rather than irrelevant matters relating to a person's impairment. Only when we have finally achieved the level of the critical threshold will employers' responses to the specific requirements of individual workers who happen also to be disabled people be negotiated with respect and sensitivity.

AN ILLUSTRATION

CRITICAL INFRASTRUCTURE THRESHOLD

The importance of the critical threshold of infrastructure components can be **illustrated** by taking a wheelchair user or person with an ambulant disability who has planned to catch a train then bus **to a job interview**. S/he lives near an accessible railway station and calls in advance to confirm that the destination railway station and bus route and the location of the interview are all accessible. S/he does not confirm the accessibility or otherwise of nearby railway stations or bus routes, or to double check whether or not the interview location is fully accessible. (A person with no physical impairments would not be required to make such additional checks and in a barrier-free environment, operating within principles that promote social inclusion, the additional checks would not be necessary.)

Despite the best efforts of our exemplar, it turns out that the lift at the destination station is out of order.

Where the community infrastructure is “**below the critical threshold**”, the interviewee may have to travel two, three, four, five or more stations to get off the train. S/he may have to wait 40 minutes at the alternative destination for a wheelchair accessible taxi to complete the journey. Finally, only after the taxi driver has gone, our job interviewee – now running very late despite confirming arrangements in advance - might not be able to reach the lift buttons at the interview location because they have not been designed from a barrier-free perspective. All parties suffer as a consequence of the systemic failures of an environment which is below the critical threshold. The cost of lost opportunity and frustration for all parties will be great. The focus of the interview - if it can still go ahead after this not untypical scenario - is likely to be (for both the interviewer and interviewee) the hassles of transport and access rather than the abilities and skills of the interviewee and his/her suitability for employment, given the demands of the job. In a perverse reversal of circumstances, responsibility for the trouble caused to the applicant with disabilities by systemic failures may be erroneously attributed by the interviewers to the individual. Despite superficial understanding that the problems do not lie with the applicant, but with the systemic barriers, some (perhaps many) employers may identify the person with disability as a difficult or problematic candidate for employment.

With an infrastructure that is “**close to threshold**” the interviewee may still have to travel extra stations but will need to wait only 5 minutes for a wheelchair accessible taxi, or be confident of catching an accessible bus. At the interview location s/he may find that although the lift button is too high, the interview is scheduled to take place in an office on the ground floor.

With a relatively seamless infrastructure i.e. one that is “**above the threshold**” the first station after the original destination with its broken lift will be accessible, the person will be able to catch a wheelchair accessible taxi within 5 minutes, and the lift button will be located in an accessible position.

d. Failure of Both Government and the Private Sector

Currently, the community infrastructure of transport, buildings, communication and information dissemination, personal assistance and support arrangements, service delivery and legal rights have, by and large, failed people with disabilities. This is because:

- the private sector ignores the needs of people with disabilities and fails to develop market viability because it perceives the interests of people with disabilities to fall outside both the **mass market demands** to which it caters and as well the **idiosyncratic demands of high income, high wealth** individuals to which it also caters
- policy makers have not given a sufficiently high priority to people with disabilities who are not seen to make up a sufficiently **homogeneous voting block**.

The part played by the community infrastructure in promoting social inclusion or social exclusion is absolutely critical. The strategy to ensure an accessible community infrastructure by way of the **Disability Discrimination Act** Standards-making process has, however, been ineffective. While people with disabilities originally had great hope that this process would lead to more accessible communities, this hope has been dashed. Not a single Standard has

been implemented to date. The complaints process has been shown to be weak. The community education process has been of highly questionable value. And the law has been breached more often than it has been honoured.

This issue of the inaccessible infrastructure relates to:

- the **obligations** of builders, transport operators, employers, retailers and educators etc. to honour the Disability Discrimination Act and the Standards-making process instead of either ignoring it or undermining the Standards-making process by disseminating misinformation in their self-promotion lobbying efforts (see p.27).
- the lack of recognition of **wasted resource** and the unsound economic methodology used in evaluations of Regulator Impact Statements which relate to the development of community infrastructure Standards (see p. 11)
- lack of recognition of the **additional costs of employment** due to inaccessible infrastructure, and the effect of this on incentives to work (see p. 21 ff)

Recommendation 8:

That the Reference Group on Welfare Reform should refer the issue of the disabling effects of the inaccessible community infrastructure for further research by experts with experience and knowledge of the consequences of such barriers. Particular reference should be made to:

- the enabling actions required to eliminate inequitable barriers which restrict the choices and opportunities for involvement in the community and work place by people with a wide range of disabilities
- the critical levels at which minimum thresholds of accessibility transform the community infrastructure
- the appropriate roles of both the market and the public sector in creating an accessible community infrastructure.

SECTION 4

INCOME SUPPORT

a. The Additional Cost of Living Resulting from a Disability

The additional cost of living resulting from a disability has been extensively studied, and a recently completed study undertaken by PriceWaterhouseCoopers and commissioned by the Department of Family and Community Services was only released in early December. All studies, including the PriceWaterhouseCoopers study, show the complexity of the issue because of the heterogeneous nature of disability. PDCN has not yet had time to critically examine the report, but calls on the Reference Group on Welfare Reform to examine the issue critically. PDCN will itself be ready to comment on the Report at a later date.

The study appears to confirm earlier studies that have shown that:

- the additional cost due to a disability **varies greatly across disability** and even **within** disability types
- people with profound and severe physical activity restrictions can spend up to **half of disposable** income on non-discretionary goods and services related to their disability and
- **income** and the **extent of disability** are the only, albeit unreliable, predictors of the additional cost of disability, implying that the proportion of income spent on disability goods and services does not vary with income and that the additional cost increases with the extent of activity restriction. The latter conclusion is intuitively obvious, while the former implies that the needs of high income individuals are more or less realised while the needs of low income individuals are largely unmet.

b. Current Supports

The income support received by people with severe and profound disabilities is **inadequate, inequitable and inefficient**. It is:

- inadequate in that it does not recognise the substantially **higher cost of living** faced by people with disabilities and
- inequitable in that people with the same disability and with the same needs have the **additional costs offset differently** depending on their marital status, on where they live, on whether or not they are receipt of compensation from a third party, and on whether or not they find out about community supports
- inefficient because at all but the lowest and highest incomes, the **marginal cost of earning income is so high** that there is a failure to provide sufficient reward for earning income.

i. Inadequate

The DSP is currently set at **parity with the Aged Pension**, above the level of unemployment benefits. The parity with the age pension is not designed to offset the higher cost of living of people with disabilities but is intended instead to reflect the permanent nature of the workforce non-participation. PDCN sees no justification for linking the Aged Pension with the DSP since many DSP recipients have higher costs and have had less opportunity to accumulate capital during their lifetime than have many Aged Pensioners.

Because of the higher cost of living due to their impairment and the paucity of financial recognition of these higher costs, people with severe and profound disabilities are forced to bear most of the additional cost of living due the disability.

PDCN believes that:

- the additional cost of living due to a disability ought to be **separated** from the income support offered to people who are unemployed
- parity with the Aged Pension is **not justified** and
- an **individualised Disability Allowance** to offset the additional costs of disability ought to be introduced.

Recommendation 9:

That the cost offsets of disability be separated from income support and that the DSP be replaced by a system of

- a) Individualised Disability Allowance for offsetting the cost of disability and**
- b) income support arrangement for unemployed people.**

This would mean that:

- people with disabilities who do **not have additional costs** due to their disability but who are long-term unemployed **ought not receive a disability allowance** but ought to receive the same income support as a similarly long-term unemployed able-bodied person;
- people with disabilities who have **additional costs** due to their disability and are **employed** ought to **receive** a disability allowance to offset the additional costs due to their disability, and that the allowance should not be means-tested;
- people with disabilities who have **additional costs** due to their disability and are **unemployed** ought to receive **both** a disability allowance and an unemployment benefit; and
- people with disabilities who have **few additional costs** and are **employed** ought receive **neither** an unemployment benefit or a disability allowance.

PDCN reserves comment on the details of an allowance subject to further examination of the PriceWaterhouseCoopers “*Cost of Disability*” report. Pending further study of the Report, PDCN’s predisposition is for extension of the Mobility Allowance, CAAS and Pharmaceutical schemes to:

- **aids and equipment** including furniture and home modifications
- **personal assistance and support** in the **home**, at **work** and **study**, and in **recreation**
- **respite**
- **therapy services** relating to the disability
- **oxygen supply**
- and other non-discretionary goods and services.

PDCN also believes that the amount of the allowance should vary with the **extent of the activity restriction**.

In order to maintain work incentives, these Allowances should **not be means-tested** even if in the interests of income equity and fiscal responsibility the Allowances are **capped** - at a meaningful level appropriate for the individual.

PDCN reserves judgement on the efficacy and equitability of alternative Allowance models including:

- a single individual Allowance
- several Allowances based on individual assessments (equipment allowance, travel allowance, personal care allowance, respite allowance etc.)
- vouchers based on assessments and
- rebates for scheduled goods and services.

ii. *Inefficient*

1. The Effect of State Programs and an Inaccessible Infrastructure

Tables 1-3 illustrate the disincentives to employment in the labour market of the supports, taxes and taper rates to operate under the New Tax System to be introduced in July 2000. It is based on a single individual who needs a taxi to get to work at a cost of \$25 per day because of the inaccessibility of the public transport system, and who receives the full rental assistance. The individual is assumed to spend \$2,000 per year on aids and equipment which are on the PADP schedule.

The Tables show:

- income per fortnight/annum (columns 1 and 2)
- the Disability Support Pension (Column 3)
- the Mobility Allowance and the Pharmaceutical Allowance (Columns 4 and 5)
- maximum Rental Assistance (Column 6)
- assistance for aids and equipment through state-run PADP scheme (Column 7) – valued at \$2,000 per annum when no income is earned, and tapering off as the DSP cuts out.
- the cost of going to work – assumed to vary with the number of days worked - at \$25 per day for 1-5 days per week for 40-48 weeks (Column 8).
- tax paid on earned income under the tax scales to operate from July 1, 2000 (Column 9) and
- disposable income before expenditure on disability goods and services (Column 10)
- the change from one income bracket to the next income bracket in disposable income divided by the change in earned income i.e. the effective marginal cost of earning income in the labour market (Column 11).

Extensions to the model to account for **co-payments** for disability services and the **cost of disability** goods and services would **increase the effective marginal rates** in Column 11.

EFFECTIVE MARGINAL COST OF EARNING INCOME IN EMPLOYMENT

TABLE 1

Earned income per fortnight \$	Earned Income per year \$	Disab. Support Pension	Pharm. Allow.	Mobility Allow	Rental Subsidy	PADP	Additional \$25 per day cost of work: 1-5 days, 40-48 wks	Income Tax	Disposable Income	Marginal cost of moving to next income bracket
0	0	9910.16	146	1544	2055	2000	1000	0	14,655	
106.08	2758	9910.16	146	1544	2055	2000	1000	0	17,413	0.0%
200	5200	8933.39	146	1544	2055	2000	1500	0	18,378	60.4%
400	10400	6853.39	146	1544	2055	2000	2000	748	20,250	64.0%
600	15600	4773.39	146	1544	2055	2000	3000	1632	21,486	76.2%
800	20800	2693.39	146	1544	2055	2000	4000	2620	22,618	78.2%
1000	26000	613.39	146	1544	2055	2000	5000	4180	23,178	89.2%
1100	28600	0.00	146	1544	2055	1000	6000	4960	21,916	148.5%
1200	31200	0.00	146	1544	2055	0	6000	5740	21,696	108.4%
1400	36400	0.00	146	1544	0	0	6000	7300	24,790	40.5%
1600	41600	0.00	146	1544	0	0	6000	8860	28,430	30.0%

TABLE 2: PADP TAPERS MORE SLOWLY

Income Per f.n.	Income Pa.	DSP	Pharm	Mobility	Rent	PADP	Cost of Work	Income Tax	Disposable Income	MC of inc
0	0	9910.16	146	1544	2055	2000	1000	0	14,655	
106.08	2758	9910.16	146	1544	2055	2000	1000	0	17,413	0.0%
200	5200	8933.39	146	1544	2055	2000	1500	0	18,378	60.4%
400	10400	6853.39	146	1544	2055	2000	2000	748	20,250	64.0%
600	15600	4773.39	146	1544	2055	2000	3000	1632	21,486	76.2%
800	20800	2693.39	146	1544	2055	2000	4000	2620	22,618	78.2%
1000	26000	613.39	146	1544	2055	2000	5000	4180	23,178	89.2%
1100	28600	0.00	146	1544	2055	2000	6000	4960	22,916	110.0%
1200	31200	0.00	146	1544	2055	2000	6000	5740	23,696	70.0%
1400	36400	0.00	146	1544	0	1000	6000	7300	25,790	59.7%
1600	41600	0.00	146	1544	0	0	6000	8860	28,430	49.2%

TABLE 3: WORK COSTS INCREASE MORE SLOWLY

Income Per f.n.	Income Pa.	DSP	Pharm	Mobility	Rent	PADP	Cost of Work	Income Tax	Disposable Income	MC of inc
0	0	9910.16	146	1544	2055	2000	1000	0	14,655	
106.08	2758	9910.16	146	1544	2055	2000	1000	0	17,413	0.0%
200	5200	8933.39	146	1544	2055	2000	1000	0	18,878	40.0%
400	10400	6853.39	146	1544	2055	2000	1000	748	21,250	54.3%
600	15600	4773.39	146	1544	2055	2000	1500	1632	22,986	66.6%
800	20800	2693.39	146	1544	2055	2000	2000	2620	24,618	68.6%
1000	26000	613.39	146	1544	2055	2000	3000	4180	25,178	89.2%
1100	28600	0.00	146	1544	2055	1000	4000	4960	23,916	148.5%
1200	31200	0.00	146	1544	2055	0	5000	5740	22,696	146.9%
1400	36400	0.00	146	1544	0	0	6000	7300	24,790	59.7%
1600	41600	0.00	146	1544	0	0	6000	8860	28,430	30.0%

Column 11 of the Tables show that at all but the lowest levels of income and the very highest levels of income, **the marginal cost of earning income is over 60%, and often greater than 100%** when we incorporate all the factors involved in earning income: i.e. the taper rate of pensions and supports, income tax, the cost of an inaccessible public transport system, and means-testing of services such as PADP.

The Tables particularly point out the importance of looking at **Federal-State relations** and the effect of **Disability Standards** on work incentives since the effect of PADP and the cost of getting to work are critical in raising the marginal cost of earning income above the nominal 40% taper rate of the DSP. In particular, the criteria applied by State programs can undermine the effect of any Commonwealth incentives. The Tables also highlight the inefficiency of means-testing.

Recommendation 10:

In light of their effect on incentives:

- **the service criteria applied by State programs should be co-ordinated by the Commonwealth**
- **cost-of-disability offsets such as a Disability Allowance should not be income tested**
- **the effect of the inaccessible community infrastructure on the cost of earning income be considered in setting allowances designed to offset the cost of disability**

2. Taper Rates

The Discussion Paper points out that a lowering of taper rate improves incentives to take up part-time and casual work while reducing incentives for full time work, while a tightening improves incentives for full-time work while reducing incentives for casual or part-time work. The Discussion Paper calls for comment.

PDCN believes that income support should be separated from cost of disability offsets, and therefore sees no role for a DSP following a review of the welfare system. Furthermore, PDCN believes that to maintain work incentives, the new Disability Allowance should be independent of income testing.

Nevertheless, in the absence of such a separation, and in the presence of continuation of the DSP, PDCN's predisposition is to prefer a **reduction in the taper rate** for both the DSP and the Rental Assistance Scheme because:

- the current marginal rates are **prohibitive** after PADP and the costs of employment are integrated into the equation
- **jobs are increasingly being created in the part-time and casual** sectors for all classes of workers and probably more so for people with disabilities. It makes sense to increase incentives in the sector where jobs are increasingly likely to be made available
- greater **potential for flexibility** is generally available for part-time and casual workers.

PDCN also questions why the taper rate for pensions will be decreasing from 50% to 40% under the New Tax System, but from 50% to 30% for the Family Allowance. This inequity is particularly galling in view of the fact that the highest effective marginal tax rate reported in *Not a New Tax, A New Tax System* is 88.5% for families while the highest estimated rate in Tables 1-3 above is 150%.

Recommendation 11:

That if unemployment income support and cost-of-living offsets are not separated and the DSP is maintained, the DSP should be unlinked from the Age Pension, and the taper rate for the DSP should be reduced from 40% to the same level as Family Allowance – expected to be 30% under the New Tax System.

iii. *Inequitable*

Inequities in income support arrangements occur as a result of:

- state programs and
- common law compensation for disabilities caused by negligence.

1. State Programs

Part of the offsets to the additional cost of living due to a disability occurs through benefits at the **State** level. These include offsets to the cost of equipment (PADP), personal care (HACC services), travel (Taxi Travel Subsidy Scheme) and a vast array of benefits available through State-funded service organisations. There is enormous inequity in the availability of these offsets as a result of

- **inconsistent service delivery criteria and standards** across implementation areas and
- **inadequate promotion** of services.

These problems are largely due to the interplay of **inadequate funding** and **organisational and managerial inefficiency**.

With **limited budgets**, local management committees become protective of “their” existing clients at the expense of “new” clients and local managers acquire an immense power to dispense or withhold service, making both existing and new clients fear making complaints in expectation of retribution at the local level. In addition, some local management committees are more adept at procuring funds from the State – not on the basis of need in the area, but on the basis of creative accounting to protect “their” territory. The effect has been to make State programs a haphazard affair, with people in “**good areas**” receiving an above-average service which enables them to participate more fully in the life of the community, while people in “**bad areas**” receive an atrocious service which makes them **prisoners in their own home**, unable to confidently expect to participate in either work or recreational activities.

While PDCN recognises the organisational merit of decentralising service delivery, the lack of transparent and accountable central management control of service delivery criteria and standards, has made many of the offsets to the additional cost of disability have become grossly inequitable within States, as well as between States.

The **provision of vouchers** to clients together with privatisation of service delivery have been canvassed in some circles as the means to overcome the inefficiencies and inequities of the current system. While in theory this combination may seem attractive, PDCN believes that for many services the **inefficiencies and inequities would be reproduced or made worse** because:

- one of the main reasons for the inequities is **inadequate funding** – which, if addressed under a better-resourced system of vouchers, would also presumably rectify the current system. If no action is taken to increase funding, inequities will merely be transferred from a geographical basis to some other basis
- privatisation unaccompanied by competition leads to **private monopoly** or oligopoly with the same operational inefficiencies as the current system but with a loss of the complaint power that is represented by government-subsidised service providers who are ultimately governed by elected political representatives
- competition is unlikely since the size of a number of specific disability **markets is too small** to allow for more than one of two local firms, and unlikely to be subjected to competition from imports
- the arbitrary power of local managers to determine who will receive services and who will not, would be replaced by the **arbitrary power of the assessors** who would determine the availability of vouchers made available to individuals.

PDCN is not in principle against the use of vouchers and privatisation, but we believe that any move towards such a system must be accompanied by:

- service delivery standards which accommodate the needs of individuals with the highest support needs and their right to live independently and with dignity in the community and
- complaint mechanisms which are independent and transparent and with strong enforcement and deregistration powers.

The CAAS scheme is a privatised voucher program which enjoyed community support until recently. The scheme has lost its support, however, after tendering processes changed the single supplier. PDCN contends that the lack of an effective complaints mechanism in a monopoly system has led to the problems of supply which have recently eroded the support for the scheme.

Recommendation 12:

That if the Commonwealth Government takes action to organise trials of vouchers schemes and/or pilot programmes of privatisation, such initiatives should only be undertaken if:

- **there is certain to be genuine competition between a range of service providers**
- **an independent complaint mechanisms with enforcement and deregistration powers is available**
- **service delivery standards accommodate the needs of individuals with the highest support needs and their right to live independently and with dignity in the community.**

Recommendation 13:

That voucher scheme trials and any privatisation pilot programmes for government service provision should be considered only after meaningful consultation with people with disabilities.

2. Compensation Claims

Another source of inequity between people with disabilities is by way of compensation to people where the disability is due to negligence by a third party. PDCN believes that it is unfair that:

- a person whose barrister cannot prove negligence in court should receive less support than person whose barrister can prove negligence;
- a person who is born with a disability should receive less support than person whose barrister can prove negligence.

The demands and claims of people with disabilities currently work on a “fault” model. PDCN believes that **Australia should adopt a no-fault model of disability insurance** which accepts that every citizen has a finite probability of acquiring almost any disability, or having a friend or close family members acquire a disability which will impact on them financially or socially. (See Appendix and Recommendation 2, p 10).

SECTION 4
MUTUAL OBLIGATION

a. The Corporate Sector

The obligation of **builders and transport operators, employers and able-bodied employees, educators and service providers, retailers and tourist operators** is virtually ignored by the Discussion Paper.

While some people see the payment of taxes as a sufficient expression of the obligation of the rest of the community, the **fact of social exclusion** of people with disabilities from community life implies that the mutual obligation needs to go **beyond taxes** alone. However if taxation in itself is to be considered a sufficient expression of the mutual obligation principle, then the current **tax levels are not high enough** to provide for the public investments needed to ensure the social inclusion of people with disabilities.

The Discussion Paper offers peripheral recognition of a broader mutual obligation principle in the assertion of the need for **social cohesion and partnerships** between DSP recipients and the private, public and non-profit sectors of the community. These are fine sentiments. As set out in the Discussion Paper, however, they ignore the reality that

- **company law** obligates a Company's directors to be concerned only with the objectives of its shareholders (i.e. the share price and dividend of the firm - subject to the legal constraints imposed by government) and that the adoption of other principles theoretically puts company directors at risk
- the public sector and non-profit sector have been facing **funding cutbacks** during the period of economic rationalism, making increased obligations towards people with disabilities by these sectors increasingly difficult
- the infrastructure and attitudes of the community in general do not seriously **recognise the voice** of people with disabilities.

Social coalition-building can only be undertaken by a strengthened central government sector which **imposes regulatory constraints** (e.g. buildings and transport must be accessible, employers must not discriminate), **provides incentives** (workplace modifications, subsidies to offset costs), and **funds** community-based needs.

See Recommendation 7, page 14

The **current ideological fashion** to deregulate and decrease the size of government weakens social coalition-building. In reality, this return to a form of Victorian age social welfare abandons any commitment by government to mutual obligation in favour of ideas of voluntarism and individual moral and ethical behaviour, which seemed out-dated to many even during the Victorian era in which they originated. The problem we see with the strategy proposed in the Discussion Paper is that **the same social forces, which have led to a decrease in the role of governments have also increased social isolation, insecurity and selfishness. The result has been to create less inclination on the part of the community to involve itself in moral and ethical undertakings that strengthen social solidarity and promote cohesion without undermining enterprise and individuality.**

b. Voluntarism

The call for "greater emphasis on voluntary, community ... work" is echoed throughout the Discussion Paper – with respect to young people, older unemployed people, and people with disabilities.

Generally, PDCN agrees that voluntarism is commendable and many volunteers provide valuable additional resources to community groups, service organisations and individuals. Developing a volunteers dimension to an organisation's activities is **not a cost-free exercise**, however. Volunteers need to be trained, co-ordinated and matched to an organisation's needs. Without additional resources to the employing organisation, volunteers can take up on inordinate amount a **professional staff's time and energy**.

Furthermore, a volunteer worker with a disability needs the same amount of fixed capital cost accommodation and/or recurrent support costs in the workplace as s/he would if s/he were employed in the private sector. PDCN is itself actively committed to developing and benefiting from the input of volunteers. We are no less certain, however, that for as long as community organisations and service providers are short of resources, the Commonwealth Government has an unrealistic expectation of voluntarism as a panacea which will serve both community organisations and unemployed people.

The emphasis on voluntarism may also further isolate people with disabilities who will not be accepted as volunteers unless community groups and service organisations already have the infrastructure and supports necessary to enable a person with a disability to volunteer meaningfully.

While voluntarism **appears superficially to be an efficient cost-free** means of overcoming the dual problem of community organisations' inadequate labour-power and the excess potential labour supply of unemployed people, PDCN believes that voluntarism is **not the cost-free panacea** implied in the Discussion Paper.

Recommendation 14:

That the Reference Group on Welfare Reform should not place undue emphasis on voluntarism unless there is a commitment by government to increase funding to the non-profit and community sectors to enable the absorption of volunteers with disabilities.

c. Potential People with Disabilities: The Insurance Principle

To the extent that **every** Australian can acquire a disability, have a child born with a disability, or have a close friend or relative acquire a disability, **expenditure on disability support should be seen as insurance by taxpayers** for when they themselves may require disability support. Instead of it being viewed as a "handout", it should therefore be seen as consideration for a financial service – the service being the security felt for knowing that if they or someone close should require disability support, the "loss" due to disability will be minimised with dignity. The expenditure is akin to the premium paid for insuring against the loss associated with one's home burning down, or to having one's car crash.

PDCN believes that people are willing to pay for comprehensive insurance against the contingency of the loss associated with acquiring a disability, having a friend or relative acquire a disability, or having a child born with a disability. The private sector cannot for technical reasons finance the provision of such insurance. This unfulfilled demand can only be met by government regulations, incentives and direct investment. We furthermore believe that the amount people would be willing to pay for comprehensive no-fault disability insurance equals the probability of loss times the dollar amount of loss. (see Appendix, p 33).

To the extent that people without disabilities are not paying a premium for their potential future needs, the mutuality principle is not being applied.

Recommendation 15:

That the Reference Group on Welfare Reform should view the part played by the increased expenditures on addressing the needs of people with disabilities as an intertemporal redistribution of income instead of as an interpersonal redistribution of income i.e. as insurance by people without disabilities against potential circumstances, shared by all, that in the future any individual, family member or friend may acquire a disability.

SECTION 5 CONCLUSIONS

a. Research

Major structural change of the sort being contemplated requires rational informed comment in order to ensure that recommendations are efficient, equitable and stable. Change without research leads to piecemeal, 'ad hoc' solutions which are wasteful, inequitable and unstable. The type of welfare reform proposed by the Discussion Paper requires research on:

- the reasons for the increase in the number of DSP recipients – whether due to substitution of DSP for unemployment benefits, technological factors, financial factors etc.
- the nature of work and income support and the relationship of these to workforce participation across disabilities – contrasting the different needs and relationship of people with intellectual disabilities and physical disabilities, on the different needs and relationships of people with mild and moderate activity restrictions as compared to those of people with severe and profound activity restrictions
- the effect of infrastructure and attendant support needs on workforce participation.

We believe the Reference Group on Welfare Reform should recommend the commissioning of research into the labour market behaviour of people with disabilities. We believe such research would show that:

- people with disabilities are more than willing to work and are in fact desperate to be able to fulfil their community obligations as fully participating members of the community
- people with disabilities are too often prevented from participating in community life because of inadequate public investments in infrastructure and supports
- the most important reasons for the acceleration in the number of DSP recipients relates to the growing disparity in wealth between rich and poor and the substitution of DSP benefits for unemployment benefits
- incentive and disincentive effects are of only marginal significance in determining the labour market behaviour of people with disabilities compared to more significant infrastructural and support effects

b. Productivity Commission Reference

Except in the field of "Development Economics", traditional economic thinking about productivity and labour markets safely takes the background public infrastructure and supports which underlie the labour market as well developed.

This **background cannot be assumed** "made" - with regard to the labour market behaviour of people with disabilities. Transport and communication systems, the built environment, personal attendant support, service delivery and education systems all generally exclude people with disabilities. The importance of these systems to people with a disability has been recognised by the Disability Discrimination Act and by the Disability Standards process but it has not been recognised in mainstream economic thinking – as illustrated by the absence of such acknowledgements in the current Discussion Paper.

We believe that the Reference Group on Welfare Reform should recommend a Productivity Commission reference on people with a disability. Many people with disabilities view the Productivity Commission with a great deal of **suspicion** because they view it as an instrument of the powerful against the powerless, and as a bastion of blinkered traditional economic thinking.

We are confident that by **rigorous objective focusing on the labour market participation** of people with a disability, it would provide mainstream economic confirmation of our view that:

- increasing participation by people with disabilities in the labour market requires “**development economics**” **methodology** which focuses on infrastructure and supports, rather than a marginalist paradigm
- the DSP and support expenditures should be viewed as **insurance** and **investment** rather than income transfers (see Appendix)

Because of its lack of experience and expertise in disability, the Productivity Commission reference ought to be in partnership with an organisation such as the Human Rights and Equal Opportunities Commission, and chaired by someone with a profound or severe disability.

c. Individual Disability Allowance

Cost of living studies undertaken in recent years have all confirmed the:

- the high additional cost of living faced by people with severe and profound activity restrictions
- the wide variation across types of disability in the additional cost of living due to a disability and
- the higher additional cost of living faced by people with disabilities when they enter the labour market.

While there is some recognition of these additional costs in the adoption of the Mobility Allowance and the CAAS scheme, the effect of these allowances are marginal. The inappropriate linking of the DSP with the Age Pension highlights the inadequacy of the DSP as an offset to the higher cost of living due to a disability, and the existence of a single DSP rate for all people with disabilities highlights the inappropriateness of the DSP as a means of alleviating poverty among people with disabilities.

PDCN believes that:

- income support due to **unemployment should be separated from cost of living** support due to having higher additional costs resulting from disability and
- an **individualised Disability Allowance** should be introduced to offset the additional costs of living due to a disability. The best practice model, which balances equity, efficiency, privacy and dignity needs to be more fully explored. Such an allowance should encourage rather than discourage workforce participation, and therefore should not be means tested but may be capped for individuals. Models which might be considered involve a single allowance or multiple allowances for different circumstances depending on needs (e.g. transport, personal support, equipment, home modifications); vouchers or rebates.

d. Mutual Obligation

The principles of “mutual obligations” should include government, employers and the rest of the community – to employ people with disabilities, to adopt universal design criteria and to learn about the accommodations required by people with disabilities. **Mutual obligations should not rest solely with people with disabilities.**

While exhorting the community through awards and promotions have their place, we believe that meaningful change will only occur through direct expenditure assistance, tax incentives and regulation.

e. Timing of DSP Reforms

We believe that reform of the DSP is separable from reform of the rest of welfare agenda relating to the aged pension, unemployment benefits for younger and older workers, sickness benefits, parenting allowance etc. We believe that more labour market and poverty research has been undertaken for these other groups than for people with disabilities and that the workforce behaviour relating to these other groups is far better understood than the workforce behaviour of people with disabilities.

We therefore believe that the disability component of the welfare reform agenda can be and should be delayed until further research is undertaken and something like a Productivity Commission Report commissioned. Notwithstanding the linkages that exist with the other benefits, we believe that disability reform can be separated from the welfare reform agenda and that disability reform should be delayed pending further research and understanding of the reasons for low workforce participation by people with disabilities.

Recommendation 16:

That the Reference Group on Welfare Reform call for delay of disability reform pending research and understanding of the reasons for workforce participation of people with disabilities, and that such delay need not delay the government’s welfare reform agenda.

Disability is different.

The difference is not understood at the highest levels.

APPENDIX

The Insurance Principle – An Alternative Way to View Disability Expenditure

The underlying principle of the Discussion Paper is that expenditure on welfare payments and services involve a redistribution of income, rather than consideration for a service.

To the extent that **every** Australian (indeed every person on the planet) can acquire a disability, have a child born with a disability, or have a close friend or relative acquire a disability, expenditure on disability support should be seen as insurance by taxpayers for when they themselves may require disability support. Instead of it being viewed as a “handout”, it should therefore be seen as consideration for a financial service – the service being the security felt for knowing that if they or someone close should require disability support, the “loss” due to disability will be minimised with dignity. The expenditure is akin to the premium paid for insuring against the loss associated with one’s home burning down, or to having one’s car crash.

Market political ideologists would reply to this vision with the claim that if people wanted such insurance, it would be available in the market, and that limited forms of disability insurance are already available because there is a limited demand for it. Political market ideologists would argue circuitously that the fact that a comprehensive market does not exist proves that people are not interested in such insurance, and that therefore the government should not provide it either.

Thoughtful economic theory (as opposed to political market ideology) suggests that people would be willing to pay for disability insurance because there is a finite predictable loss and finite predictable probability of loss associated with any disability.

Thoughtful theory suggests that there are two reasons that the market does not exist for the disability insurance that people would be willing to pay for – i.e. because of the existence of information asymmetries, because many of the infrastructure elements involve public goods.

Firstly, there are “information asymmetries” which the individual can control but which insurance company cannot manage. Thus people without disabilities can pretend that they have disabilities and the insurance company cannot disprove the claim except at great expense; people with disabilities can unwittingly exaggerate their needs and the insurance company cannot prove the lack of need except at great expense; and the fact of insurance may affect the probability of loss. Because of these “information asymmetries”, the private sector will not supply a comprehensive “disability insurance” market except but there will be a limited market in the limited situations where the information asymmetries are minimised.

Thoughtful economic methodology would also recognise that informed people would be willing to pay for an accessible community infrastructure (e.g. accessible buildings, transport, communications etc.) for the situations in which they might need it, and thoughtful economic theory would recognise that the private sector is incapable of ensuring the supply of a comprehensive public infrastructure because of the inability to exclude people from such infrastructure (for socio-political as well as technical reasons) except at great expense. It would recognise that the private sector does not supply goods and services from which people cannot be excluded at low expense, and that the market for this type of disability insurance will also not exist.

Thoughtful economic theory goes further to suggest that

- *where* there is a willingness to pay for a good or service
- *but* the market will not supply it for any one of three reasons (“asymmetric information”, “public goods”, or “externalities”),
- the community benefits from *creating a public authority to compel the financing* of the good or service which they are willing to pay for.

Generally there are problems in pricing non-market goods, but the theoretical problems do not exist with insurance since insurance theory suggests that a fair premium can be estimated by multiplying the probability of disability times the loss associated with disability. Both these are estimable quantities.

Thoughtful economic theory goes further to suggest that the premium people are willing to pay should be considered an economic benefit because it is consideration for service provided – the service being a sense of security. Thus, instead of governments seeing expenditure on disability being a cost, such expenditure should be seen as a benefit in that the insured person benefits at the time of paying the premium from knowing that if they were to face circumstances which would produce hardship at a future time, they will not lose actually fall into poverty and hardship. Insurance is a means whereby people transfer wealth from one period to another – from the good times when they pay their taxes and premiums, to bad times when they face hardship.

Disability insurance should be compared to fire and accident insurance – albeit financed by the public sector because technical reasons preclude the private sector from supplying such insurance.

Conclusion:

- People would be willing to pay for comprehensive insurance against the contingency of the loss associated with acquiring a disability, having a friend or relative acquire a disability, or having a child born with a disability.
- The private sector cannot for technical reasons finance the provision of such insurance.
- The gap of unfulfilled demand can only be filled by government.
- The amount people would be willing to pay for comprehensive no-fault disability insurance equals the probability of loss times the dollar amount of loss.