



KEY ISSUES BRIEF

MENTAL ILLNESS AND THE INCOME SUPPORT SYSTEM

The proportion of **people with disabilities receiving the Disability Support Pension (DSP) is 37.3%** (825,000 out of 2.2 million Australians identified as having a disability).

At any given time, more than 3.2 million Australians are estimated to experience mental illness¹ with 62% currently employed². Of these, there are an estimated **489,000 people living with severe mental illness³**.

In September 2013 there were **258,640 people receiving the DSP due to psychosocial disability⁴** (31.1% of total DSP recipients)⁵. This is less than 10% of the total number of people living with mental illness in Australia.

CURRENT CHALLENGES FOR PEOPLE WITH PSYCHOSOCIAL DISABILITY ON INCOME SUPPORT

For some, the experience of severe and persistent mental illness can have a profoundly disabling impact on day to day living and social functioning. This can include managing day-to-day household tasks like cleaning, other domestic duties, finances, hygiene, shopping and social interaction.

In addition problems with memory, organisation/planning and scheduling can impede the ability of people with psychosocial disability to engage with services on a regular basis.

While it is difficult to predict just how significant the level of individual functional impairment will be on the basis of diagnosis alone, some types of mental illness are more likely than others to lead to associated psychosocial disability.

People with psychosocial disability often have multiple indicators of disadvantage including financial hardship, housing instability and homelessness, social exclusion, underemployment or unemployment and chronic physical health problems.

¹ Australian Institute of Health and Welfare, The Mental Health and Wellbeing of Australians, Australian Government, Canberra, 2009, p. xxii.

² Department of Health, National Mental Health Report 2013, Australian Government, Canberra, 2014, p.6.

³ NSW Health, National Mental Health Service Planning Framework, (unpublished)

⁴ Department of Social Services, Characteristics of Disability Support Pension Recipients: September 2013, Australian Government Canberra, December 2013.

⁵ Department of Social Services, Characteristics of Disability Support Pension Recipients: September 2013, Australian Government Canberra, December 2013.

The workforce participation rate amongst people with psychosocial disability remains significantly lower than it is for people with other disability types at less than 30% compared to 54% for all people with disabilities and 83% for people with no disabilities⁶. People with lived experience of mental illness and psychosocial disability face a number of barriers to obtaining and maintaining jobs. These can include:

- symptoms which fluctuate in severity and impact;
- lower educational attainment;
- lack of work-relevant skills due to time spent out of the workforce;
- high levels of housing instability;
- multiple levels of disadvantage; and
- experiences of stigma and discrimination.

The 2011 National Survey of Mental Health Literacy and Stigma found that 37% of people surveyed would not employ or want to work with a person who had been diagnosed with schizophrenia, while 21% would not employ a person with depression⁷.

Accessing the DSP

Contrary to popular belief, accessing the DSP is not a straightforward process.

DSP applicants are required to obtain reports at their own expense from their GP plus any treating specialist. The GP and/or treating specialist needs to specify that the disability/illness is expected to last more than two years, and then provide sufficiently detailed documented medical evidence demonstrating the extent of the impairment.

This evidence will then be assessed against specific criteria by the Department of Social Services to ensure that their functional impairment is sufficiently serious. An applicant for DSP must then undergo a Job Capacity Assessment and be deemed unable to work more than fifteen hours per week due to functional impairment.

Finally, in order to qualify for the DSP, a person must also demonstrate that their mental health condition has been diagnosed, is being treated and has 'stabilised'.

The average waiting period between submitting an application for DSP and receiving the first payment is two months.

During this time people may be granted the Newstart Allowance, which is \$127.75 less per week than the pension. People often exhaust all other avenues of support as well as any savings they have before applying for the DSP.

Meeting the costs of living on the DSP

The maximum rate of DSP is \$766 per fortnight for a single person aged over 21 with no dependents, compared with \$510.50 for a person in the same circumstances on the Newstart Allowance. In addition, recipients of either payment may be eligible for up to \$119.40 in Commonwealth Rent Assistance per fortnight if they are living in community housing or private rental accommodation.

People with psychosocial disability face additional costs of living that mean that surviving on the DSP can be quite difficult. Gap payments for regular sessions with clinical mental health

⁶ Australian Bureau of Statistics, Australian Social Trends – Disability and Work, Catalogue # 4102.0, Australian Government, Canberra, March Quarter 2012.

⁷ Reavley, N.J., Jorm, A.F. (2011) National Survey of Mental Health Literacy and Stigma. Department of Health and Ageing, Canberra.

professionals often exceed \$100 per session and people with severe and persistent mental illness may interact with clinicians one or more times per month. They may also take a number of medicines to treat their condition, adding to their out-of-pocket costs.

In addition, the costs of regular in-home support to assist with day to day or weekly activities such as cleaning, other domestic activities, personal hygiene and shopping can exceed \$100 per week.

CHANGES TO DSP AFFECTING PEOPLE WITH MENTAL ILLNESS IN THE 2014 BUDGET

Compulsory participation requirements for DSP recipients aged under 35 years

The Government will introduce compulsory activities for DSP recipients aged under 35 who are deemed to be able to work more than eight hours a week. New penalties for non-compliance will be introduced. There are just under 50,000 people aged under 35 who are receiving the DSP for psychosocial disability who could potentially be affected by this measure.

Reassessment of DSP recipients aged under 35 years

The Australian Government will review all DSP recipients aged under 35 who started receiving the payment between 2008 and 2011. It is unclear at this stage whether these reviews will be conducted by independent doctors (as flagged in media reports), although the Budget includes considerable investment in this new process (\$46 million over four years). People deemed to be able to work more than eight hours a week will be required to undertake compulsory activities to build their work capacity.

Index Pension and Pension Equivalent Payments by the Consumer Price Index

The Government will save \$449.0 million over five years by indexing pension and equivalent payments and Parenting Payment Single by the Consumer Price Index (CPI), rather than the (higher) rate at which average male weekly earnings increases. The measure will affect DSP recipients from 2017.

ANTICIPATED IMPACTS OF BUDGET ANNOUNCEMENTS ON DSP RECIPIENTS WITH PSYCHOSOCIAL DISABILITY

Compulsory participation requirements for DSP recipients aged under 35 years

Appropriate work preparation activities for people with a partial capacity to work could assist recovery from mental illness by increasing opportunities for social and economic participation.

Conversely, imposing compulsory participation requirements on people who are not ready could set them up to fail and/or make mental health conditions worse.

It is not clear what impact this measure is likely to have without additional information about the types of activities that people aged under 35 will be required to undertake in order to continue receiving income support. It is also not clear whether or not DSP recipients who have compulsory participation requirements will remain on the DSP or be transferred to a lower value allowance payment.

The Budget papers note that "...Sanctions for non-compliance will be introduced..."⁸. At the moment, the sanction proposed for 'non-compliance' with compulsory activities for recipients of allowance payments is an eight week non-payment penalty. It is also important to recognise that non-compliance can often be a direct result of the person's mental illness rather than a wilful intention. Many people on the DSP have minimal savings, so the loss of DSP payments even for a short period could cause significant financial hardship for people with psychosocial disability, leaving them unable to meet the cost of basic needs like food, medications and housing.

Reassessment of DSP recipients aged under 35 years

Overall, a higher proportion of people aged under 35 years receive DSP for psychosocial disability than for other disability types⁹. It is therefore reasonable to conclude that this measure will impact many people with psychosocial disability.

Re-assessment will be carried out with reference to the most recent set of impairment tables to determine their capacity to work. These include a mental health-specific table against which functional impairment/reduced capacity to work is measured. Prior to 2008, the impairment tables did not make reference to mental health, so the new tables should in theory allow for more accurate assessments.

If, as has been reported, people who are reassessed and deemed to be able to work more than eight hours a week are moved onto the lower Newstart and Youth Allowance payments and forced to look for work, they will receive significantly less per fortnight. The Newstart Allowance is \$256 less per fortnight than the DSP while Youth Allowance is \$342 less.

At this stage it is unclear to the MHCA:

- Who will undertake the re-assessments (e.g. independent doctors, clinicians who know the client, etc)
- What compulsory participation requirements will be imposed
- How severe sanctions for non-compliance will be.

Index Pension and Pension Equivalent Payments by the Consumer Price Index

Currently, these payments are indexed in line with the higher of the increases in the CPI, Male Total Average Weekly Earnings or the Pensioner and Beneficiary Living Cost Index. This measure is expected to reduce the real value of increases to the DSP over time as the CPI has historically increased at a slower rate than Male Total Average Weekly Earnings.

Allowance payments, which are currently indexed in line with the CPI, have increased by less than half a per cent in real terms over the past twenty years. During the same time period, pension equivalent payments have increased by almost twenty per cent in real terms.

The change to indexing arrangements will come into effect from January 2017 and will affect all recipients of the DSP, including people with psychosocial disability.

⁸ http://www.budget.gov.au/2014-15/content/bp2/html/bp2_expense-21.htm

⁹ Department of Social Services, Characteristics of Disability Support Pension Recipients: September 2013, Australian Government Canberra, December 2013.