

## KEY ISSUES BRIEF

### SUMMARY OF KEY ISSUES FROM THE INTERIM REPORT OF THE REFERENCE GROUP ON WELFARE REFORM (THE McCLURE REVIEW)

In December 2013, the Minister for Social Services, the Hon. Kevin Andrews MP commissioned a review of Australia's welfare system. The stated purpose was to identify improvements that could be made to ensure it is sustainable, effective and coherent and encourages people to work. The Minister appointed a reference group headed by Patrick McClure, AO to lead the review. The reference group's Interim Report was released on 29 June 2013; the full report can be found at <http://www.dss.gov.au/our-responsibilities/review-of-australia-s-welfare-system>.

The Government has outlined a 6 week consultation period during which forums will be held in capital cities and interested parties are invited to make submissions. The closing date for submissions is Friday 8 August 2014. A Final Report with recommendations for action will be completed in the second half of 2014.

This document provides a summary of key issues for mental health stakeholders based on the MHCA's preliminary analysis of the Interim Report. The MHCA is keen to hear the views of members and stakeholders as we prepare our submission.

#### DEFINING PERMANENCY OF DISABILITY AND WORK CAPACITY

The Interim Report proposes that the Disability Support Pension be reserved only for people with 'a permanent disability and no capacity to work'. It does not include a definition of 'permanent' or parameters around the extent of functional impairment that a person would need to demonstrate in order to be deemed to have no capacity to work.

It suggests that people with disabilities that are not deemed to be 'permanent and profound' (again, no definition is provided) should receive a proposed 'working age payment' with a 'continuing supplement to achieve a basic but adequate standard of living'.

It is unclear whether or not Job Capacity Assessments (JCAs - introduced as part of the suite of Welfare to Work reforms in 2006) would be used to determine which type of payment a person would receive.

The report notes that 'in setting eligibility rules it will be important to strike the right balance between investing in those with a capacity to work and providing a pension for those who cannot work now or in the future'.

The question of how 'permanency' is defined in practice is likely to have a major impact on the nature and extent of welfare support for people with psychosocial disability associated with mental illness. There is already considerable confusion and debate about similar issues in the early days of the National Disability Insurance Scheme (NDIS). As with the NDIS, it will be critical to ensure that assessment processes are consistent and fair for people with psychosocial disability.

## THE IMPACT OF THE PROPOSED NEW PAYMENT STRUCTURE ON PEOPLE WITH MENTAL ILLNESS

People with mental illness and psychosocial disability are likely to be directly affected by the proposed 'simplification' of the payment structure and the consolidation of current supplement payments.

To simplify the payment structure the Interim Report suggests that current recipients of Austudy, Newstart Allowance, Partner Allowance, Parenting Payments, Sickness Allowance and Widow Allowance be transferred to a tiered *Working Age Payment*.

In addition, people with disabilities that are not deemed to be 'permanent and profound' resulting in them having 'no work capacity' would be transferred from DSP to the proposed Working Age Payment and offered a supplement in recognition of the higher costs of living associated with having a disability or significant illness.

Depending on how assessments are conducted, large numbers of people with mental illness and psychosocial disability are likely to be included in this group. Recipients of the Working Age Payment would be required to participate in mutual obligation activities to improve their employability and prepare to enter or re-enter the workforce. This is currently not the case for recipients of the DSP.

While the Interim Report does not explicitly state that the new arrangements may affect people with psychosocial disability disproportionately, there are numerous references to the 'episodic nature' of mental illness and a distinction is made between 'people with disabilities' and 'people with mental health conditions'.

## GAP BETWEEN DSP AND OTHER PAYMENTS

The report draws attention to the significant and growing gap between pensions and allowance payments. Currently, the full rate of the Disability Support Pension for a single person with no dependents is \$766 per fortnight while the full rate of the Newstart Allowance is \$510.50.

The report argues that this gap, combined with complex other rules about the treatment of income from work, is still seen as an incentive for people to seek to minimise their work capacity and maximise perceptions of their inability to work in order to qualify for the higher pension payment. It argues that there should be a common approach to adjusting payments to ensure a more coherent social support system over time, by for example providing more incentives for people with a partial work capacity to enter the workforce.

The 2014 Budget includes measures that would in effect reduce the gap between pensions and other payments by changing automatic indexation arrangements for pensions from 2017–18. This would halt the growth in the gap between pensions and other payments but not reduce it. The changes to indexation arrangements are before the parliament and form part of a suite of measures in the [Social Services and other Legislation Amendment \(2014 Budget Measures\) Bill 2014](#). The legislation has been referred to the [Senate Standing Committee on Community Affairs](#) and interested parties are invited to make submissions between now and 25 July 2014. Information on how to make a submission is available [here](#).

The report does not suggest what the fortnightly rates of the DSP or its proposed *Working Age Payment* should be and thus it is not possible to determine what the gap between these two payments would be (or even if there would be a gap in the long term).

## CARER PAYMENT & CARER ALLOWANCE

The Interim Report suggests that ‘community expectations’ are that people with caring responsibilities will engage in paid work to the extent that they are able and prepare for re-entry to the workforce at a time when their caring responsibilities end. It proposes to abolish the Carer Payment and transfer recipients to a Working Age Payment with a dedicated supplement for carers (that would replace Carer Allowance).

The Report suggests there is a need to provide tailored assistance to people who have been long term carers to help them transition back into the workforce and cites the economic benefits of work for carers and their families. It acknowledges that carers who have spent significant time out of the labour force will need long term assistance/support to transition back into work.

The current rate of the Carer Payment is the same as the DSP; the same concerns about potential differences between pension rates and the proposed Working Age Payment therefore apply to Carer Payment recipients.

No proposed rates are included in the interim report so it is not possible to determine whether or not recipients of the Carer Payment would be worse off financially or whether the proposed supplement would be equal to, less or more than the current rate of the Carer Allowance.

## IMPACT ON MENTAL HEALTH CARERS OF CHANGES TO ELIGIBILITY FOR DSP

Changes to eligibility for the Disability Support Pension could have implications for Carer Payment recipients if the person they care for is no longer assessed as having a ‘permanent disability with no capacity for work’.

For someone to be eligible for the Carer Payment, currently the person under their care must meet certain disability criteria (based on the Adult Disability Assessment Tool, or ADAT) and demonstrate that they have a permanent, ongoing disability. In addition, they must be in receipt of a Centrelink or Veterans Affairs Pension.

Meeting the ADAT criteria is often more difficult for people with psychosocial and intellectual disabilities than meeting eligibility requirements for the DSP<sup>1</sup>. As a result more than 90 per cent of people being cared for by recipients of Carer Payment are in receipt of the DSP<sup>2</sup>.

The Interim Report does not directly address the issue of what will happen to Carer Payment recipients if the person they care for loses eligibility for the DSP because they are deemed to not have a 'permanent' disability and are therefore moved to the Working Age Payment.

## MENTAL HEALTH AND EMPLOYMENT

The report draws attention to the substantial proportion of people receiving the Disability Support Pension who have a psychiatric disability, and suggests that more needs to be done to ensure that people in this group with a capacity to work are provided with opportunities to enter or re-enter the workforce.

It highlights the [Individual Placement and Support Model](#) (IPS) as an example of international best practice in delivering individually tailored employment support that has 'significantly outperformed the comparison employment system in every trial' in delivering long term open-employment outcomes for people with lived experience of mental illness and psychosocial disability.

The report also cites cognitive behaviour therapy as 'another approach that has been shown to greatly assist people with mental health conditions and has been successful in getting people work-ready'.

## EARLY INTERVENTION FOR HIGH RISK GROUPS

The report recommends targeting people at the highest risk of income support reliance and for whom early intervention has the greatest likelihood of return on investment. It highlights case examples from New Zealand and a recent evaluation of that country's actuarial 'investment model' that found that by targeting income support recipients with identifiable risk factors for 'long term welfare dependency' with early intervention programmes the lifetime liability to the New Zealand budget was reduced by \$4.4 billion.

## NDIS

The report notes that the National Disability Insurance Scheme is designed to provide necessary care and support and remove barriers to economic and social participation for people with significant permanent disability. Consistent with the intention of the scheme, the report does not propose that the NDIS should replace the welfare system. Instead, it argues that a well-functioning NDIS would increase employment participation among people currently reliant on welfare.

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<sup>1</sup> Carers Victoria, [Invisible Care: Access to Carer Payment and Carer Allowance by Victorian Carers of a Person with Mental Illness](#), Carers Victoria, 2013, pp.29-32.

<sup>2</sup> National Welfare Rights Network.