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**Creating effective employment solutions for people with  
psychiatric disability**

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## 1. Introduction

*Everyday we are reminded that, for everybody, work is a defining feature of human existence. It is the means of sustaining life and of meeting basic needs. But it is also an activity through which individuals affirm their own identity, both to themselves and to those around them. It is crucial to individual choice, to the welfare of families and to the stability of societies.*

Juan Somavia, ILO Director General, 2001

This paper sets out a proposal for a state-provided Job Guarantee (JG) for people with psychiatric disability. Under the JG, the Federal Government would maintain a ‘buffer stock’ of minimum wage, public sector jobs to provide secure paid employment for our most disadvantaged citizens. The proposal is situated within the rubric of human rights. We do not assert a natural right to paid work. Rather, we argue that a right to employment is established by empirical analysis of the experience of unemployment, and the way in which this violates concepts of individual liberty and citizenship (Siegel, 1994; Sen, 1997).

In a 2003 working paper, the International Labour Organisation (ILO) set out the array of international legal instruments, covenants and declarations, relevant to the right to decent work of people with disability. The ILO noted that if the provisions discussed were fully implemented “...full equality and participation for persons with disabilities would be achieved” (O’Reilly, 2003: 6). In Section 2 we demonstrate that this is not yet the case.

In 1995, the Copenhagen Declaration and Programme of Action, adopted by the World Summit for Social Development, acknowledged that people with disability are too often forced into poverty, unemployment and social isolation. Australia was one of eighty-two governments represented at the Summit who, *inter alia*, committed themselves to a policy focus upon the creation of adequately remunerated employment and the reduction of unemployment (O’Reilly, 2003: 25).

As laudable as these objectives are, their realisation will remain shackled by the operation of restrictive macroeconomic policy in many of the signatory countries. In the absence of a prescribed right to work, and a state commitment to effective full employment policy, the job prospects of those with psychiatric disability will remain remote. In previous papers (see Mitchell, 1998; Mitchell, Cowling and Watts, 2003) we have discussed how the implementation of a JG could synthesise the right to work with a full employment policy. The goal of this paper is to set out the role of a JG in giving effect to the right of people with psychiatric disability to paid employment. The role of the state in realising this objective will be two-fold. First, the state must provide the quantum of JG jobs required. Second, the state must ensure that the design of jobs is flexible enough to meet the heterogeneous and variable support needs of workers. This will require effective integration of the JG scheme with mental health, rehabilitation and employment support services in order to maintain continuity of care.

In establishing a case for a paradigm shift in employment policy for people with psychiatric disability, the paper will be structured as follows. Section 2 summarises the labour market outcomes for people with psychiatric disability in terms of employment, hours worked and earnings. The data reveals the significant labour market disadvantage

faced by this cohort. In Section 3 we outline the case for a new paradigm in disability employment assistance. The case is grounded in the high costs of unemployment to individuals and society, and the failure of the existing policy framework to resolve the situation. Section 4 evaluates the effectiveness of existing disability employment policies. These are heavily focused on the supply side and aim to make individuals more 'employable' or to restrict access to the Disability Support Pension. After discussing the shortcomings of the current policy approach, Section 5 develops the Job Guarantee proposal as an effective employment solution for people with psychiatric disability while Section 6 outlines future research questions which arise in this regard. Concluding remarks follow.

## **2. Labour market outcomes for people with mental health conditions**

In the *1997 National Survey of Mental Health and Wellbeing*, the Australian Bureau of Statistics (ABS) estimated that 18 per cent of Australian adults experienced a mental disorder during the 12 months prior to the survey.<sup>1</sup> The most prevalent disorders were anxiety disorders (9.7 per cent of adults), substance use disorders (7.7 per cent) and affective disorders (5.8 per cent) (ABS, 1998: Table 2). Nearly one in three of those who had an anxiety disorder also had an affective disorder while one in five also had a substance use disorder (ABS, 1998: 10).

Many people with mental illness or psychiatric disability do not experience significant employment disruption over the course of their working life (Biggs, 2000: 13). For others, however, gaining and maintaining employment remains extremely difficult. The non-morbid nature of mental disorders means that the condition generally manifests itself as an "impairment, functional limitation and role restriction" that may limit the capacity of the individual to engage in paid work (Butterworth, 2003: 13). Individuals with psychiatric disability may face both the general problem of accessing paid employment, and the specific issue of accessing employment which is flexible enough to accommodate their mental health needs.

International empirical research has found that mental health problems significantly reduce labour force participation, productivity and hours worked. This finding holds for both psychotic disorders and more common mental disorders such as anxiety and depression (see Klessner and Frank, 1997; Danziger *et al.*, 2000; Jayakody and Stauffer, 2000; and Olson and Pavetti, 1996). The research also indicates that alcohol and drug use disorders are common barriers to employment (Jayakody and Stauffer, 2000).

In a general labour market environment characterised by a shortage of jobs, people with mental illness face a range of additional challenges that make it difficult to find work that accommodates their interests, abilities and support needs. These factors include lack of training, the debilitating effects of mental illness, job design and negative employer attitudes (HREOC, 1993: 912). A complex interaction of factors means that people with mental disorders are more likely to be unemployed. It may be that those with mental disorders find it more difficult to get jobs. At the same time unemployment may contribute to mental disorder (ABS, 1998: 9).

## 2.1 Employment outcomes

Table 1 reports age-standardised data on the prevalence of mental disorders by labour force status. The data was collected in the *1997 National Survey of Mental Health and Wellbeing of Adults* (SMHWB).<sup>2</sup> Rates of mental disorder were highest for adults who were unemployed (26.7 per cent had experienced a mental disorder in the twelve months prior to the survey) or not in the labour force (22.0 per cent). Adults employed part-time (17.9 per cent) were more likely to have mental disorders than their full-time counterparts (15.0 per cent). Substance use disorders (harmful use and/or dependence on drugs and/or alcohol) were the most prevalent type of mental disorder among the unemployed (15.6 per cent).

Table 1 Age Standardised Prevalence of Disorders (a) by Labour Force Status, 1997

	Age standardised prevalence rates (per cent)				
	F/T	P/T	UN	NILF	Total
Physical conditions	33.5	37.6	29.8	45.2	38.8
Anxiety disorders	7.1	10.2	14.9	14.5	9.7
Affective disorders	3.8	6.4	10.1	8.9	5.8
Substance use disorders	7.8	7.2	15.6	6.4	7.7
Total mental disorders (a)	15.0	17.9	26.7	22.0	17.7
No mental disorders or physical conditions	56.8	52.0	39.2	44.2	51.1
Total (b)	100.0	100.0	100.0	100.0	100.0
Total persons ('000)	6,104.1	2,420.2	565.4	4,375.1	13,464.8
	Age standardised rates of employment, unemployment and labour force participation (per cent)				
	F/T	P/T	UN	LFPR	
Physical conditions	65.5	29.1	5.4	61.2	
Anxiety disorders	56.7	32.3	11.0	54.7	
Affective disorders	52.2	34.9	12.9	53.3	
Substance use disorders	64.5	23.6	11.9	72.5	
Total mental disorders (a)	61.0	28.9	10.1	60.9	
No mental disorders or physical conditions	70.1	25.4	4.5	71.9	

Source: ABS (1998a: Table 8) and authors' calculations.

Notes: (a) During the twelve months prior to interview. (b) A person may have more than one mental disorder with or without a physical condition. The components when added may therefore be larger than the total.

For adults not in the labour force, anxiety disorders (feelings of tension, distress and nervousness) were more common (14.5 per cent) than either affective or substance use disorders. Adults with mental disorders were much more likely to be unemployed (10.1 per cent) than adults with no mental disorders or physical conditions (4.5 per cent). Adults with affective disorders (including mania, hypomania, bipolar affective disorder, depression and dysthymia) had a higher rate of unemployment (12.9 per cent) and lower rate of labour force participation (53.3 per cent) compared with outcomes for other types of mental disorders.

Butterworth (2003) used 1997 SMHWB data to examine the prevalence of mental disorders among income support recipients. After controlling for age, gender, partner status, housing tenure, presence of children and education he found that over 30 per cent of income support recipients of working age experienced a mental disorder, against 19 per cent of persons not in receipt of income support.

An alternative data set that has been used to calculate labour force outcomes for persons with mental impairments (affecting mental functional or emotional condition) are the confidentialised unit record files from the 1998 ABS Survey of Disability, Ageing and Carers (SDAC98) which uses four impairment type categories – ‘sensory’, ‘mobility’, ‘mental’ and ‘multiple’ (Wilkins, 2003: Section 3).<sup>3</sup>

Wilkins (2003: Table 4.6) finds that while males and females with multiple impairments have the lowest rates of employment, labour force participation and mean income, persons with mental impairments suffer the next worst outcomes. In 1998, just 50.4 per cent of males with mental impairments were employed while 15.8 per cent were unemployed and 33.8 per cent were not in the labour force. For females, only 37.5 per cent were employed while 9.9 per cent were unemployed and 52.6 per cent were not in the labour force.<sup>4</sup>

After controlling for other factors (age, educational attainment, country of birth, family type, severity of disability and age of onset), Wilkins (2003) concludes that adverse labour market outcomes are evident for people with mental health conditions. He finds that both mobility and mental impairment types are associated with significantly lower probabilities of employment relative to sensory disabilities that cause no core restriction and disability onset before the age of 30. The negative effect of mental impairment on employment outcomes for males is slightly greater than the negative effect for females (Wilkins, 2003: 43). He also finds that the severity of the disability and the presence of multiple impairment types contribute to larger negative effects on employment prospects (Wilkins, 2003: 42).

Wilkins notes an important connection between ageing, mature-age disability and poor labour market outcomes. Disability onset is more likely the older a person gets and the consequences of disability in the labour market are worse for an older person and the older the age of onset (Wilkins, 2003: 62). To the extent that mental disabilities first occur earlier in life, this dynamic might be less important in explaining the labour market outcomes of persons with mental health conditions.

## 2.2 Hours worked

The episodic nature of many mental illnesses is reflected in irregular working hours for those able to attain open employment.<sup>5</sup> Table 2 reports hours-distribution data for 1998-99 for persons with a primary psychiatric disability in open employment services.

At the extremes, the distribution of working hours for people with psychiatric disability differs significantly from that of the Australian population. While 23.4 per cent of people with psychiatric disability worked between 1 and 15 hours per week (with 17 per cent working between 5-9 hours), just 10.7 per cent of employed Australians worked in this hours band. By comparison, 48.6 per cent of the employed Australian population worked 40 or more hours per week compared to 8.9 per cent of persons with a primary psychiatric disability (Anderson, Psychogios and Golley, 2000).

Table 2 Distribution of weekly hours worked for persons with a primary psychiatric disability in open employment services, 1998-99.

Hours worked per week	Persons with psychiatric disability (per cent)
1-4	6.4
5-9	17.0
10-14	15.5
15-19	11.4
20-24	15.5
25-29	3.7
30-34	4.9
35-39	16.8
40	8.0
> 40	0.9
Total	100.0

Source: Anderson , Psychogios and Golley (2000: 37).

## 2.3 Earnings

Earnings data is available from the FaCS *Disability Services Census*, most recently published for 2001 (FaCS, 2003a). The problem is that we cannot directly cross-tabulate weekly wages in open employment with type of disability. Indirect inference has to be relied on as a guide to the earnings outcomes for persons with psychiatric and other disabilities. In Table 3 and Figure 1 we show the weekly wage distribution by type of disability for persons who used FaCS open and/or supported employment (see endnote 5).

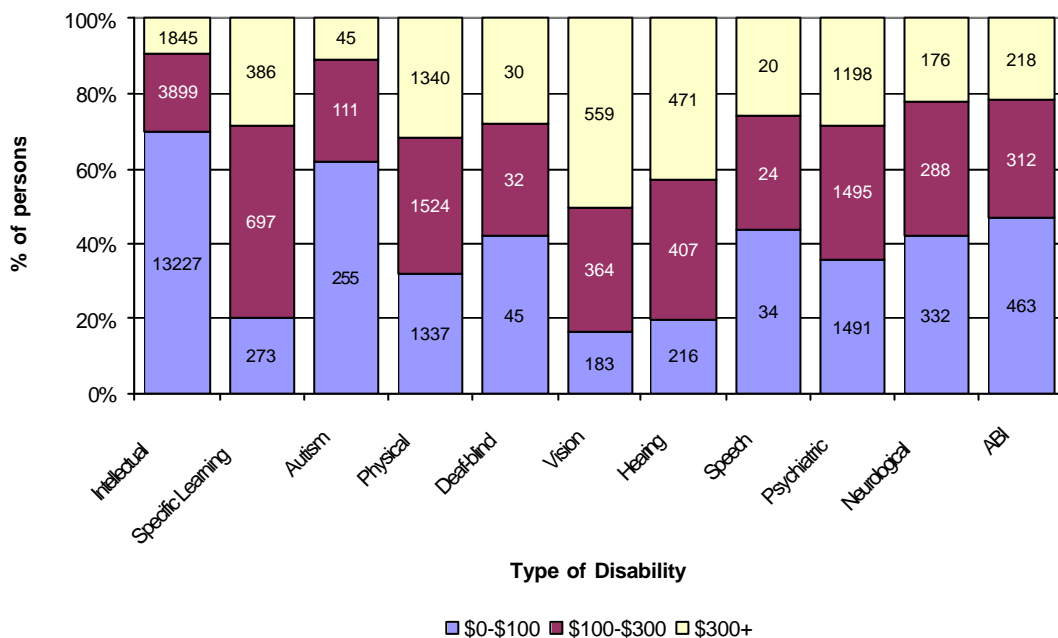
The data shows that in 2001, approximately 36 percent of persons using FaCS services who had psychiatric disabilities earned less than \$100 per week, with 35.7 per cent earning between \$100 and \$300 per week.

Table 3 Wage distribution by primary disability group, %, all types of employment, 2001

Type of disability	Weekly wage, all types of employment			
	\$0-\$100	\$100-\$300	\$300+	Total
Intellectual	69.7	20.6	9.7	100.0
Specific Learning	20.1	51.4	28.5	100.0
Autism	62.0	27.0	10.9	100.0
Physical	31.8	36.3	31.9	100.0
Deaf-blind	42.1	29.9	28.0	100.0
Vision	16.5	32.9	50.5	100.0
Hearing	19.7	37.2	43.1	100.0
Speech	43.6	30.8	25.6	100.0
Psychiatric	35.6	35.7	28.6	100.0
Neurological	41.7	36.2	22.1	100.0
ABI	46.6	31.4	22.0	100.0

Source: FaCS (2003a).

Figure 1 Wage distribution by primary disability group, all types of employment, 2001

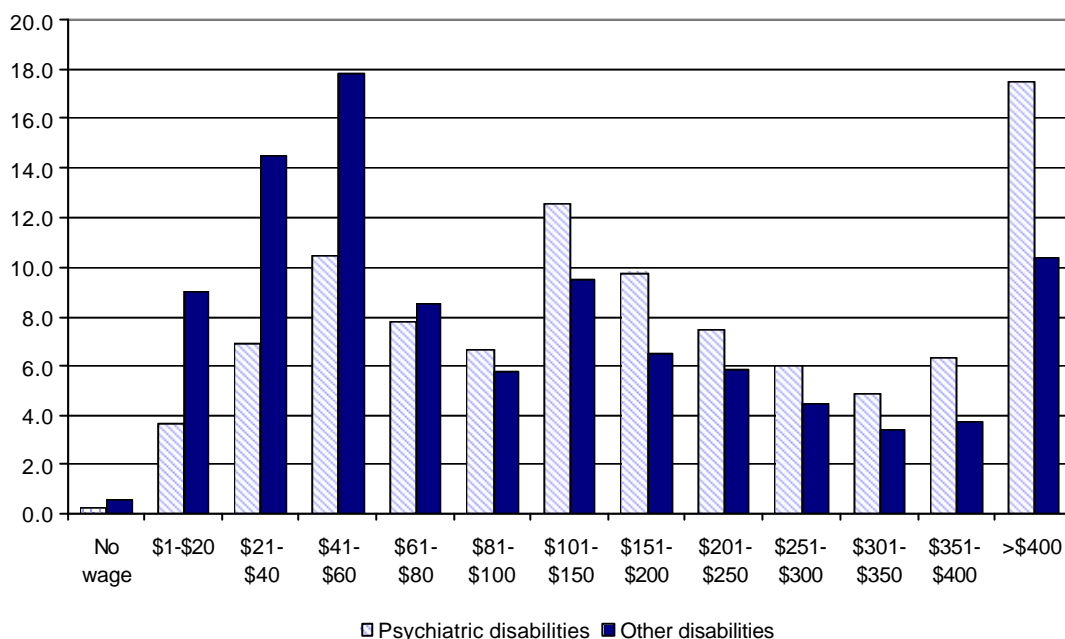


Source: FaCS (2003a: 101).

Figure 2 examines the distribution of weekly earnings for people with different types of disabilities and shows that people with psychiatric disabilities fare reasonably well relative to the average for all disability groups. The data presented is for all employment types and thus includes earnings by people with disability who are employed in Business Services. Persons with psychiatric disabilities are less concentrated in the \$1-\$80 weekly earnings and more concentrated in the \$400 and over weekly earnings.

The wage-distribution of people with psychiatric disabilities is less favourable when compared to the Australian wage-distribution. Nearly 30 per cent of persons with psychiatric disabilities earn between \$1-\$80 per week, compared to 4.2 per cent of Australians. Only 11.3 per cent of people with psychiatric disabilities registered with FaCS Disability Services in 2001 earned over \$400 per week, compared to 44 per cent of all Australians (FaCS, 2001 and ABS, 2001a).

Figure 2 Weekly wage distribution, persons with psychiatric disabilities and average for all disability groups, percentages in each wage category, 2001



Source: Employed Consumers: Primary Disability Group by Weekly Wage, FaCS, Disability Census (2003a: 91).

To delve further into the open-employment fortunes of workers with disability (and those with psychiatric disability specifically) we have to use two sources of information. Table 4 shows the weekly wage distribution over 1999, 2000 and 2001 for people with disability working in open employment. There has been only marginal change in the distribution over the three Censuses.

Table 4 Weekly wage distribution for persons in open employment, percentage

Weekly wage range	1999	2000	2001
\$0-\$100	19.3	18.0	16.6
\$100-\$300	45.6	45.8	45.8
\$300+	35.1	36.3	37.5

Source: FaCS (2003a).

We are particularly interested in how persons with psychiatric disability fare in open employment. Table 5 shows that 67 per cent (2,807 persons) of employed persons with psychiatric disability work in open employment. Persons with psychiatric disability account for 17.5 per cent of all disabled open employment (16,078 persons in total). Open employment comprises 48.3 per cent of all employment for persons with disabilities and 67.1 per cent of all employment for those with psychiatric disabilities.

Table 5 Persons with psychiatric disabilities employed in open employment

	2001 Outcome
Open employment as a percentage of total employment	67.1
Percentage of total open employment	17.5
Total open employment	2807
Total employment	4184

Source: FaCS (2001).

In 1998-99, the average hourly earnings of people with psychiatric disability in open employment approximated the average for all disability groups. However, average weekly earnings for this group were significantly lower due to the relatively low percentage of time that people with psychiatric disability spent in paid employment over the support period (Anderson *et al.*, 2000).

### 3. Disability employment reform – why a new paradigm is needed

#### 3.1 Overview

There have been recurrent national debates centred on the need to reduce the level of joblessness among people with psychiatric disability, and the policy mechanisms most likely to achieve this goal. However the growing dimensions of the problem reflect poorly on two critical, and interrelated, assumptions that have checked policy discussions and the effectiveness of the emergent reform agenda. First, the debate has assumed that measures to improve the ‘employability’ of people with mental health problems will lead to positive employment outcomes. This is consistent with broader trends in labour market policy and is the focus of active labour market programs. Second, the debate assumes a Federal government budget constraint, and policy options are only to be recommended if they are consistent with fiscal austerity. This limits the scope for implementing effective solutions. We discuss the fallacy of a government budget constraint and its dominance in current public policy discussions in Section 3.4.

In 1993, the *Report of the National Inquiry into the Human Rights of People with Mental Illness* (HREOC 1993, Chapter 12) noted the discordance between the importance of paid work for people with psychiatric disability and their access to paid employment. There are two related problems: (a) a demand-deficient labour market excludes a disproportionate number of people with psychiatric disability by placing them at the bottom of the queue awaiting work; and (b) the design of available jobs may be inappropriate for those experiencing episodic illness. In a tight labour market (where the number of jobs outweigh the number of workers wanting them) employers are more willing to accommodate disabilities and other worker characteristics that would be the basis of exclusion when jobs are scarce.

The Commission made important recommendations regarding the need to develop specific vocational services for people with mental illness, and to address gaps in service provision, but it failed to recommend measures to increase the quantum of jobs available (HREOC, 1993: 922-23).

Ten years on, the *Third National Mental Health Plan (2003-2008)* notes that access to essential support services by those with mental health needs remains both inequitable and problematic. Access to education and training, employment services and income support are seen as essential to recovery (National Mental Health Strategy, 2003: 19) but no attention is given to measures which would provide access to suitable employment opportunities. The effectiveness of the Plan will be evaluated against a set of key outcomes, which include the adoption of a greater recovery orientation by, and more equitable access to, mental health services. Measures to enhance and support the employment of people with mental illness, and greater cooperation across service sectors, are seen as pivotal to the attainment of these goals (Australian Health Ministers, 2003: 17, 22).

We will now consider why - in the absence of concomitant measures to create the jobs required - a continuing supply-side focus represents an imbalanced and costly approach to disability employment reform.

### 3.2 Why an emphasis on employment is required

Full employment should be a major macroeconomic goal of the Australian Government because it is the only way that we can maximise incomes. But in addition to the massive economic losses that high and persistent unemployment entails, it also has deleterious effects on self confidence, competence, social integration and harmony, and the appreciation and use of individual freedom and responsibility (Sen, 1997: 169). It thus acts as a form of social exclusion and violates basic concepts of membership and citizenship. Unemployment does not impact evenly across our community and the data presented in Section 2 shows that the burden of unemployment falls disproportionately on people with psychiatric disability. Research on the impacts of unemployment presents a compelling case for change.

A 2002 study on the costs on psychosis in urban Australia revealed that people with psychotic disorders experienced “much functional impairment and disability, poor quality of life, social isolation, substantial socio-economic disadvantage and numerous unmet needs” (Carr, Neil, Halpin and Holmes, 2002: 2). The authors found that the cost burden of psychosis is positively associated with the level of disability and unemployment. Their

analyses indicate that there may be potential cost-benefits if rates of participation in meaningful activity (such as full-time or part-time employment) by the unemployed are increased through appropriate rehabilitation programs (Carr, Neil, Halpin and Holmes, 2002: 35). Furthermore, Mathers and Schofield (1998: 180) note that cross-sectional and longitudinal studies have consistently found poorer psychological health in unemployed compared with employed people, after accounting for health selection effects. In this context, the maintenance of full employment could be seen as a preventative measure as part of a population approach to mental health.

In a separate study of employment and psychosis, Frost, Carr and Halpin (2002) cite a number of studies attesting to the positive impact of employment on a range of non-vocational domains of functioning. These included lower symptoms, improved self esteem and social skills and reduced hospitalisations. Offsetting these benefits was the low access to employment opportunities for people with psychotic disorders (Frost, Carr and Halpin, 2002: 2).

Warner (1994) considers why fewer people recovered from schizophrenia during the Great Depression of the 1930s given that empirical evidence does not support the attribution of lower recovery rates to reduced government spending on hospitals. He argues that the experience of unemployment and economic hardship deeply affected patients and their families, and served to prevent recovery or, in some cases, to precipitate relapses. Stress is associated with the worsening of an individual's mental well being, and the cyclical nature of modern economies imposes its own form of stress (Warner, 1994). During the Great Depression, the level of negativity and pessimism about the future experienced by large samples of the unemployed in Scotland and Lancashire was greater than that experienced by a sample of psychotically depressed and schizophrenic patients (Warner, 1994: 134). For those with marginal levels of functioning, stress is likely to increase when jobs are in short supply.

Warner (1994) finds that rates of rehabilitation are higher in countries that maintain full-employment and in full-employment periods. Efforts to improve the health and wellbeing of people with mental illness remain secondary to their perceived productivity as workers, particularly in times of labour surplus. As a result "rehabilitative and reintegrative efforts for the mentally ill fluctuate with the business cycle and may contribute to changes in the schizophrenic outcome" (Warner, 1994: 148).

### 3.3 Why was full employment abandoned?

With the costs of persistent unemployment so significant why was full employment abandoned as a policy goal of the Australian Government? Before we consider contemporary disability employment reforms - and advance alternative policy directions - we must first understand why jobs have been so hard to come by in the Australian economy.

Prior to the mid 1970s, the Australian economy was able to sustain full employment; a situation in which there were enough jobs and enough hours of work to meet the preferences of the labour force. The era was characterised by the willingness of governments to use expansionary fiscal and monetary policy to maintain levels of aggregate demand consistent with full employment, and the maintenance of a 'buffer stock' of low skill jobs, many of which were in the public sector. These jobs were always

available and provided easy access to paid work for the most disadvantaged workers in the labour force. These workers had employment and income security during hard times (Cowling, Mitchell and Watts, 2004: 11).

The economies that avoided the plunge into high unemployment in the 1970s, maintained a “sector of the economy which effectively functions as an employer of last resort” (Ormerod, 1994: 203). Employment of this type may not satisfy narrow neoclassical efficiency benchmarks, but societies with a high degree of social cohesion have been willing to broaden their concept of ‘costs’ and ‘benefits’ of resource usage to ensure everyone has access to paid employment opportunities (Ormerod, 1994).

Over the last 30 years, Australia - in common with most industrialised nations - has relinquished this cohesion by jettisoning the full employment objective. The dominant economic orthodoxy has supported policy makers who have deliberately and persistently constrained their economies, and who claim that the role of policy is to ensure that the economy functions at the ‘natural rate of unemployment’. Persistently high unemployment is then speciously ascribed to institutional arrangements in the labour market and/or faulty government welfare policies, which are said to discourage employment and to promote welfare dependence. Policy now focuses on overcoming these microeconomic constraints. However, after nearly three decades of harsh cutbacks and structural dislocation, unemployment remains persistently high and the incidence of hidden unemployment and underemployment is rising (Mitchell and Carlson, 2001).

### 3.4 False premises lead to false conclusions<sup>6</sup>

Why have governments behaved like this when, on the face of it, the macroeconomic losses flowing from persistent unemployment dwarf any gains that have been made from microeconomic reform? The reason lies in a widespread acceptance of the neo-liberal disdain for government budget deficits. It should be noted that when we use the term ‘government’ in this section we are referring to the level of government that has a monopoly over the issuance of fiat-currency.<sup>7</sup> We argue that the current policy debate is conducted on a false premise and, as a consequence, erroneous conclusions have been drawn about the range of ‘allowable’ policy initiatives. Specifically, we argue that the government is not financially constrained in its spending (Mosler, 1997-98; Wray, 1998; Mitchell, 1998; Mitchell and Mosler, 2002; Mitchell and Wray, 2004). It is simply convenient for neo-liberals to cloak their contempt for government spending (bar that which advances the interests of their own lobby group) in the authoritative sounding concept, borrowed from orthodox economics, known as the ‘government budget constraint’ (GBC).

At the same time as government has abandoned macroeconomic demand management it has become obsessed with budget surpluses. Both government and its business-oriented audience deny that surpluses promote persistent unemployment (Mitchell and Mosler, 2002). Contrary to the myth peddled by neo-liberalism, there are no financial constraints on federal government spending. The myth starts with a false analogy between household and government budgets. The analogy misunderstands that a household, the user of the currency, must finance its spending, *ex ante*, whereas the government, the issuer of the currency, spends first and never has to worry about financing.

Neo-liberalism argues that the GBC represents an *ex ante* financial constraint on government spending, whereas in fact it is only an *ex post* accounting identity. The GBC literature outlines three sources of government 'finance': (1) taxation; (2) selling interest-bearing government bonds to the private sector; and (3) printing money. A deficit (spending above taxes) is thus 'financed' by a combination of (2) and (3). Various scenarios are constructed to show that deficits are either (a) inflationary, if 'financed' by 'printing money', or (b) 'crowd-out' private sector spending by pushing up interest rates, if 'financed' by debt.

A summary of the many flaws in this argument is presented here (see Mitchell and Mosler, 2002 for more detail). The government is the sole provider of *fiat currency* or money. A monetary economy typically requires a federal budget deficit for smooth functioning and full employment. To understand this argument we note that tax liabilities must be discharged using this currency. Government spending provides the private sector with the currency they need to pay their taxes and to net save. As government spending precedes tax payments it logically cannot be financed by taxes. Further, if private sector desires to net save are to be fulfilled then aggregate government spending must exceed taxation (a budget deficit). Budget surpluses squeeze the desires of the private sector to hold financial assets, net save and pay taxes and ultimately lead to mass unemployment.

The GBC approach then argues that budget deficits have to be financed with debt issues, which place upward pressure on interest rates by increasing demand for private funds. However, this fundamentally misconstrues the way the banking system operates. All transactions between private entities, like commercial banks, net to zero because for every asset created, a matching liability exists. Thus no *net* financial assets can be *created* by transactions between private entities. The money creating role of banks specified in economics textbooks is thus misleading. The only source of net money creation is via exchanges between government (including their central bank) and the private sector (net government spending; government bond trading and foreign exchange trading by the central bank).

Central banks conduct monetary policy by setting and maintaining a target cash (short-term) interest rate, which then influences the overall structure of interest rates. For example, if there is upward pressure on the cash rate due to heavy demands for funds in the commercial banking system, the central bank will buy government bonds from the private sector and thus inject cash.

A budget deficit amounts to a *net* injection of cash into the system and creates a *system-wide* excess in the reserve accounts that commercial banks hold with the central bank. These accounts are central to the settlements system where the multitude of transactions between individuals and banks are resolved. Banks do not like to hold excess reserves in these accounts because they typically earn zero interest. Thus, system-wide cash surpluses place downward pressure on the cash rate as banks try to lend out the excess reserves. Of-course, in *net* terms these transactions cannot clear an overall cash surplus. If the central bank is intent on holding its interest rate target then it must drain these excess reserves from the system. This is why government debt is issued. It serves as a liquidity drain to allow the central bank interest rate target to be sustained. The private sector purchases the debt to earn a market yield on their reserve holdings. So, far from pushing interest rates up, debt issues maintain existing rates, which would otherwise fall. If no

debt were issued, then the cash rate would fall. However, this would not constrain government spending but merely alter the asset returns available to the private sector.

The private sector may increase their consumption if they cannot find suitable interest-bearing assets to absorb their cash surplus. This would necessitate a decline in net government spending to avoid an overheated economy. The neo-liberals claim that money creation always creates inflation. The relationship between monetary growth (nominal demand) and the price level is complex and depends on the state of aggregate supply. In times of deficient-demand, business firms have excess capacity and will respond to increased demand for their products by increasing production and employment rather than increasing prices.

In summary, the government, as the issuer of money, cannot be financially constrained and has an obligation to ensure that its net spending is sufficient to maintain full employment. Any 'policy package' that justifies its position on the basis of perceived government financial constraints is thus based on erroneous foundations.

This account of the way modern governments work in terms of their fiscal and monetary policy decisions has important implications for understanding the problem of unemployment. First, following Mitchell and Mosler (2002), we argue that involuntary unemployment arises when the private sector, in aggregate, desires to earn the monetary unit of account, but doesn't desire to spend all it earns. Firms do not hire because they cannot sell the output that would be produced. In this situation, nominal (or real) wage cuts *per se* do not clear the labour market, unless those cuts somehow eliminate the desire of the private sector to net save, and thereby increase spending. The only entity that can provide the non-government sector with net financial assets (net savings) and thereby simultaneously accommodate any net desire to save and eliminate unemployment is the government sector. It does this by (deficit) spending. Such net savings can only come from, and are necessarily equal to, cumulative government deficit spending. The government deficit (surplus) equals the non-government surplus (deficit). A systematic pursuit of government budget surpluses must result in a systematic decline in private sector savings.

Second, the non-government sector is dependent on the government to provide funds for both its desired net savings and payment of taxes to the government. To obtain these funds, non-government agents offer real goods and services for sale in exchange for the needed units of the currency. This includes, of course, the offer of labour by the unemployed. The obvious conclusion is that unemployment occurs when net government spending is too low to accommodate the need to pay taxes and the desire to net save.

Third, the pursuit of government budget surpluses will be contractionary. Pursuing budget surpluses is necessarily equivalent to the pursuit of non-government sector deficits. The decreasing levels of net savings 'financing' the government surplus increasingly leverage the private sector. Increasing financial fragility accompanies the deteriorating debt to income ratios and the system finally succumbs to the ongoing demand-draining fiscal drag through a slow-down in real activity.

We now turn to an evaluation of contemporary employment strategies for people with disability. In this policy environment, people with psychiatric disability have been pushed further and further down the jobless queue.

## **4. Participation support – considering means and ends**

### **4.1 Overview of the reform agenda in Australia**

Contemporary employment strategies for people with disability can be divided into two groups. The first group of reforms have been configured largely on the supply side and aim to build a coherent and individualised service delivery model that will support the goal of increased economic and social participation. The second strategy is to slow growth in the number of people receiving the Disability Support Pension (DSP) by tightening eligibility criteria. This approach reduces pressure on the budget by (partially) defining the problem away.

In the 1996-97 Budget, the Commonwealth announced a reform agenda for disability employment services and rehabilitation. Its priorities were in keeping with a broader welfare reform process, which aims to increase levels of economic and social participation as a means to reduce welfare dependence. The disability reform agenda has seen the development of new assessment tools to appraise people's capacity and support needs; the development of a 'disability employment gateway' to stream job seekers to appropriate employment assistance options; a greater focus on rehabilitation, retraining and employment support; and the introduction of a case-based funding model to more closely align the fees paid to service providers with the support needs of, and outcomes achieved by, service users. While there can be little doubt that improvements to the service delivery system were required, evaluation of key programs point to limited employment outcomes.

In this paper we are concerned to assess the effectiveness of policy interventions which are designed to assist people with psychiatric disability to attain open employment outcomes. While people with psychiatric disability represented 23.8 per cent of persons accessing open-employment services in 2001, they accounted for only 12.6 per cent of registered clients who were engaged in paid work and 2.7 per cent of clients gaining work-experience. Only one person with psychiatric disability was employed in an open employment setting in 2001 for every five persons with psychiatric disability registered with an open employment service only (FaCS, 2003a: 90-1).

### **4.2 Supported wages and wage subsidies**

The Supported Wage System (SWS) and the Wage Subsidy Scheme (WSS) are key components of the Employer Incentives Strategy established by the Department of Family and Community Services in August 1997. The aim of the strategy was to improve employment opportunities for people with disability, with both the SWS and WSS using financial inducements to employers as the means to achieve this objective.

The SWS enables employers to pay people with disability the proportion of the applicable award wage that equates to their independently assessed productivity. An evaluation of the SWS by KPMG Consulting in 2001 raises concerns about the efficacy of the program for people with psychiatric disability who comprised just 5.5 per cent (244) of SWS workers to June 2000 (KPMG, 2001: Section 5.2). Outcomes data was not published by type of disability, however aggregate outcomes were modest. Of the 3675 people who accessed the program between June 1997 and June 2000, just 5.1 per cent ceased participating because of positive job outcomes (such as attaining another position

or reaching the full award wage) while 26.9 per cent withdrew without having on-going employment. In the majority of these cases either the worker withdrew (12 per cent) or the job was withdrawn (11 per cent) (KPMG, 2001: Table 4). The consultants found the SWS best-suited to individuals whose disability had a consistent impact on their productive capacity and who were in types of employment where productive capacity is easily measured. The report recommended that the SWS guidelines should be refined with a particular focus on people with high support needs, those who are frail and those with episodic disabilities (KMPG, 2001: Section 7). The latter category includes people with a psychiatric disability.

The Wage Subsidy Scheme provides financial incentives for employers to hire workers with disabilities under open labour market conditions. The Scheme aims to improve workers' competitiveness by increasing their skills and experience. The wages of each worker with a disability may be fully or partially subsidised for 13 weeks, up to a maximum value of \$1500.

Sixteen per cent (1,045) of workers assisted in Phase 1 of the WSS, between January 1998 and December 2000, had a psychiatric disability (FaCS, 2003b: 20). The *Review of the Employer Incentives Strategy* found there were "mixed views" on the value of the WSS. Those interviewed concurred with the findings of an international literature review on wage subsidies for people with disability, which portrayed subsidies as a blunt instrument with inherent risks (FaCS, 2003c: 49). Risks included employment not lasting beyond the subsidised period; the stigmatisation of subsidised workers; the displacement of existing workers; and dead weight loss if placements that would have occurred in the absence of financial assistance are subsidised (FaCS 2003c: 14).

#### 4.3 The Assessment and Contestability Trial

As part of the Government's welfare reform process, the Assessment and Contestability Trial for people with disability commenced in August 2000. The Trial tested a new approach to assessing the abilities, needs and capacity for work of people with disability, and examined the capacity of the private market to provide vocational rehabilitation services (FaCS, 2003d: 5). The final external report for the Assessment and Contestability Trial Evaluation was based on data collected to 30 June 2002.

The Report's analysis of the Trial's work capacity assessments is both curious and equivocal. The capacity of Trial participants to undertake work at award wages or above within a two year period, without, intervention was appraised by FaCS assessors, treating doctors (TDRs) and medical assessment service providers (MASPs). There were significant differences in these work capacity assessments.

FaCS assessors found that 52.5 per cent of participants had no capacity for work without intervention compared to 25.2 per cent for TDRs and 19.2 per cent for MASPs.<sup>8</sup> Similarly, FaCS assessors found that 8.8 per cent of participants had the capacity to work more than twenty hours per week, compared to 36.6 per cent for TDRs and 51.9 for MASPs (FaCS, 2003d, Appendix D). The Report did not explore whether there was systematic over-estimation or under-estimation of work capacity (without intervention) by one or more assessing groups, or the reasons for such significant differences in assessment outcomes. Instead it is concluded that FaCS assessors were "more realistic" in their appraisals since "only 10.2 per cent of participants were working more than twenty

hours a week at the twelve month review point following intervention” (FaCS, 2003d: 7). Clearly, an alternative explanation would be that demand conditions in the labour market did not permit people with disability to realise their capacity for work.

With respect to assessment of capacity to work within a two year period with intervention, FaCS assessors found that 6.8 per cent of all participants, and 4.7 per cent of participants with psychiatric/psychological disability, had nil capacity to work, while 69.6 per cent (73.3 per cent) had the capacity to work between 8 and 30 hours per week (FaCS, 2003d: Table 7). At the completion of the trial 21.6 per cent (433) participants who had been assessed, and provided with some form of intervention, had undergone a 12 month review with a FaCS assessor. The review found that 79.7 per cent of this group had not yet realised their assessed work capacity. The comparable figure for people with psychological/psychiatric disability was 81.6 per cent (FaCS, 2003d: Table D65). We acknowledge that more participants may realise their capacity over the two-year time frame for which capacity assessments are made. However, it is difficult to argue that a trial, which aims to assess whether alternative forms of assessment provide more meaningful information on an individual’s capacity to work and thereby increase economic and social participation (FaCS, 2003d: 5), can be evaluated without reference to the state of the labour market. The assessments may be more effectual or robust but may not lead to improved employment outcomes under conditions of demand deficiency.

#### 4.4 A case based funding model – the future policy direction

From January 1, 2005 Case Based Funding (CBF) arrangements will be introduced for all disability employment services. Under this fee-for-service model, funding will be directly linked to the individual’s support needs, and paid as employment milestones are achieved. In order to develop appropriate streaming tools and funding bands, CBF trials have been conducted and trial data used to finesse and finalise the model.

The first phase of the trial saw a sharp improvement in the participation of people with psychiatric disability in disability employment services. Comparisons were made with participation levels under a block grant funding model. However, the employment outcomes for this group were very poor relative to those with physical or intellectual disability (Frost, Carr and Halpin 2002: 8). Just 11.4 per cent of participants with psychiatric disability gained an employment outcome while 44.5 per cent of suspensions from the trial were from this disability group. The higher suspension and exits rates for people with psychiatric disability extended to the second CBF trial (Frost, Carr and Halpin, 2002: 8-9).

The shift to Case Based Funding arrangements may well represent an improvement on block grants, however the benefits presaged for the model (improved access and outcomes, and greater flexibility and innovation) may not be realised. It seems curious to expect that binding more funding to outcomes – and offering higher outcome payments for more disadvantaged workers – will see more individuals with mental illness placed in secure jobs. This result would rely on concomitant policies to alleviate the macroeconomic constraint and generate the jobs required. In their evaluation of the Job Network, Cowling and Mitchell (2003: Section 5) discussed how job seekers with the greater chance of achieving payable outcomes were targeted while those in greatest need of assistance (with low employment probabilities) received little support. In

contravention of equity objectives, they found an incentive to provide fewer services to those with greater needs. While the CBF model is more sophisticated - and provides funding for commencement, maintenance and outcomes - the Job Network's failure to deliver employment outcomes for those requiring Intensive Assistance offers a cautionary tale.

#### 4.5 Roads to nowhere

The shift from block service grants to case based funding - and measures to improve payment structures, service gateways and assessment protocols - all aim to increase participation in paid work. However, an effective social support system can only realise this goal if there are jobs available. In February 2004 there were 5.6 unemployed people for every job vacancy in Australia (CofFEE, 2004a). We argue that a JG for people with psychiatric disability would attend to the demand side of the economy and is the essential analogue to the reforms proposed for the income and employment support systems. These measures are not unimportant but a policy agenda that aims to achieve employment outcomes must create opportunities, as well as incentives and supports, for paid employment.

In isolation, supply-side measures merely re-shuffle the jobless queue. The clear danger of this kind of zero-sum redistribution is that policies achieve tentative or short-term reattachments to the labour force at the expense of deepening employment insecurity. Labour market instability, poverty, and welfare dependency are not solved by such measures; they are simply redistributed amongst the same at risk groups (Peck and Theodore, 1999: 14).

#### 4.6 Matters of definition – changing disability assessment criteria

Argyrous and Neale (2001: 22) argue that it is the “labour market that is ‘disabled’ and needs government attention, and not just the individuals on DSP.” This assessment reflects on the second strand of reforms to disability employment assistance, which aim to change assessment criteria rather than the nature of support provided.

The 2002-03 Budget proposed two changes to the qualification criteria for the Disability Support Pension (DSP). First, to reduce the qualification hours under the continuing inability to work test from 30 hours per week to 15 hours per week, at award wages or above. A wider range of support services - including employment assistance and rehabilitation services - would now be considered in the determination of work capacity. Second, to change the ‘special inability to work’ test for those aged 55 years and over so that it no longer considers local labour market conditions (FaCS, 2002: 181). The legislative amendments required to give effect to the changes have not been passed by the Parliament.<sup>9</sup> The measures were to deliver estimated savings of \$413.62 million over 2003-04, 2004-05 and 2005-06. Offsetting this was a commitment to provide an additional 73,000 places in disability employment assistance (37,600 of which are in the Job Network) at a cost of \$258 million over the three years.

The explanatory memorandum accompanying the Disability Reform Bill acknowledges the growth in the number of DSP recipients, and the associated cost to the Commonwealth, as the *raison d'être* for the tighter eligibility criteria. The new criteria would ensure that DSP is only paid to persons with very restricted work capacity (House

of Representatives 2002: 2, 3). The program outlays for DSP which were \$2.8 billion in 1991-92 are estimated to reach \$7.95 billion in 2004-05. By comparison, the estimated outlay for Newstart Allowance (the standard income support payment for the unemployed) in 2004-05 is \$5.26 billion (FaCS, 2004b: Table 1.4).

We argue that these proposals do not understand or address the system failure – in the form of ill-conceived macroeconomic policy – which underpins the growth in DSP recipient rates. In the absence of measures that attend to the demand-side of the labour market, net savings can only accrue from shifting a pool of DSP recipients to ‘less expensive’ income support payments. Increased participation in paid employment is only possible if there are suitable jobs for this pool of workers to go to.

The continuing pursuit of budget surpluses, and consequent weakness of the labour market, mean it is unlikely that DSP recipients in general, and people with psychiatric disability in particular, will be more able to find, or return to, work. In June 2003, just 9.4 per cent (63,238) of persons receiving DSP had earnings related to work. Of this group, 52.6 per cent (33,265) earned less than \$100 per week (FaCS, 2003b: Table 3.1). The number of DSP recipients who returned to work in the year to June 2003 is less clear. Data published by the Department of Family and Community Services (FaCS, 2003b: Table 5.2) shows that 56.7 per cent of DSP recipients who exited the payment in this period transferred to the Age Pension. Of the 21.1 per cent who did not transfer to another Centrelink payment or die, an unknown share will have returned to work. Even if we assume that the 11,571 individuals in this category all gained paid employment, this represents just 1.8 per cent of the DSP population at the start of our exit period.<sup>10</sup>

Argyrous and Neale (2003) argue that the proposed reforms are unlikely to achieve their objectives, citing earlier attempts to reign in the cost of disability payments by tightening eligibility criteria.<sup>11</sup> These reforms failed to restrict welfare outlays as they did not address the loss of full-time jobs, particularly for older male workers whose marginalisation in the labour market has driven the growth in the DSP population (Argyrous and Neale, 2003; Yeend, 2002b). In June 2003, males aged 45 years and over comprised 41 per cent of all DSP recipients (FaCS, 2003d: Table 1.2). Moreover, Yeend (2002b: 11) questions why we should expect the funding of additional places in existing disability employment assistance programs to be more effective in delivering employment outcomes.

#### 4.7 The problem of precarious work

The changes proposed in the 2002-03 Budget were based on a recommendation by the Commonwealth’s Reference Group on Welfare Reform (the McClure Committee) to review the work capacity criterion for people with disability to ensure a “better match with contemporary patterns of labour market participation” (House of Representatives, 2002: 2). In thinking about the likely impact of the proposed reforms it is essential to consider whether the contemporary labour market can provide sufficient work opportunities, and a safe working environment, for people with psychiatric disability. We must also consider the impact of transferring from DSP to Newstart Allowance (NSA) on the claimant’s income and access to support services.

Since the early 1990s, employment growth has become increasingly concentrated in low-wage, low-skill and insecure jobs, reinforcing the labour market disadvantage experienced by people with psychiatric disability.

The problem of labour underutilisation is more severe than is portrayed by the official unemployment rate. Mitchell and Carlson (2001) developed the Centre of Full Employment and Equity Labour Market Indicators to capture broader forms of labour wastage. In May 2004 - when the official unemployment rate was 5.6 per cent - 10.7 per cent of willing labour resources were being wasted once account was taken of the hours-aspirations of the underemployed and the hidden unemployed (CofFEE, 2004b). At the same time, employment growth has been concentrated in precarious part-time and casual work. Between 1992 and 2002, full-time employment increased by 14.4 per cent against growth in part-time employment of 33.6 per cent. Over the same period, the number of permanent jobs increased by 14.7 per cent, while the number of casual jobs increased by 34.5 per cent. Casual employment, although accounting for only 22 per cent of all jobs in 1992, comprised 47 per cent of the increase in employment in the next ten years (Cowling, Mitchell and Watts, 2004: 1).

Short-term or precarious positions - in which workers may have limited control over hours worked and limited opportunity to build self-esteem, and employers may be unwilling to accommodate on-site assistance, rehabilitation, or modifications to work schedules - may diminish the positive impact of employment for people with psychiatric disability (see Frost *et al.*, 2002).

There is a small, but growing, body of research on the health impacts of job insecurity. Bohle, Quinlan and Mayhew (2001) reviewed sixty-eight studies on the effect of job insecurity on worker health and well-being that had been published internationally since 1966. The studies used a range of research methods and a range of occupational health and safety (OHS) indices. The latter included subjective health indices (such as self-reports of injury or psychological well-being), objective health measures (such as blood pressure and medical referrals), and sickness absence records (2001: 38). In 88 per cent of the studies, job insecurity was associated with diminished worker health and well-being (Bohle, Quinlan and Mayhew, 2001: 43).

The studies did not examine the health effects for people with psychiatric disability in insecure work. However the consistency of the findings, and the vulnerability of this particular group of workers, demands a joint focus on increasing the quantity of work available to people with psychiatric disability and supportive job design. Watts and Mitchell (2000) caution against policy options that flow from the narrowly conceived, and deeply flawed, assumption that growth in flexible working arrangements will reduce unemployment and generate net benefits for the community.

#### 4.8 Savings or risks?

The high levels of unemployment and welfare dependency among people with mental illness - and the size of the changes to the DSP qualification criteria proposed - would be expected to displace a significant number of claimants from DSP to NSA. This has a number of implications for the individual's financial well-being and ability to access specialist employment support.

With respect to income, a DSP recipient is paid more than a person with similar income and assets receiving NSA. At September 1, 2004, a single person receiving the maximum rate of DSP received \$75 per fortnight more than a single person receiving the maximum rate of NSA. The income test applying to NSA has a lower threshold level and higher taper rate than the DSP income test<sup>12</sup> and, unlike NSA, DSP payments are tax exempt. In addition, DSP recipients receive a Pensioner Concession Card which entitles them to a broader range of benefits (including electricity and transport concessions) than are available under the Health Care Card issued to NSA recipients (Centrelink, 2004a and 2004b). It could be argued that the comparison between the maximum rates of DSP and NSA, and associated concessions is inappropriate as the reform measures are designed to encourage people with disability to engage in paid work to the extent that they are able. However, proponents of this view must demonstrate why additional places in training and rehabilitation programs, and employment services (principally within the Job Network) - and changes to funding arrangements - can be expected to generate improved employment outcomes for people with psychiatric disability in an “economy that has failed to generate an adequate supply of jobs paying a living wage” (Borland, Gregory and Sheehan, 2001: 20).

Individuals who would move from DSP to NSA under the tighter eligibility criteria would also be subject to activity testing in order to receive their payment<sup>13</sup>. The activity test is part of the beneficiary’s mutual obligation requirements and failure to meet these requirements may see a penalty imposed.

Activity testing for a person with psychiatric disability, in receipt of an activity-tested payment such as NSA, could include participation in programs run by Disability Employment Assistance or vocational rehabilitation services. While acknowledging that the objective of these requirements is to improve the individual’s capacity to work, Abello and Chalmers (2002) note that penalties for breaching activity test requirements pose particular risks for people with psychiatric disability. Penalties range from an 18 per cent reduction in payment for 26 weeks for the first breach to no payment for 8 weeks for the third and subsequent penalties (National Welfare Rights Network, 2004). Research conducted by the Australian Council of Social Service and the National Welfare Rights Centre suggests that among those most affected by the penalties are people with mental illness and/or drug and alcohol related problems (Abello and Chalmers, 2002: 3).

#### 4.9 Summing up - thinking outside the square

The evaluations of current reforms (and intended reforms) to disability employment services and supports suggest the need for a new approach. While ever-restrictive macroeconomic policy ‘disables’ the labour market, supply-side measures can only deliver marginal improvements in outcomes. In the next section, we introduce a proposal for a Job Guarantee for persons with psychiatric disability to restore a society of inclusion and hope. In this sense, we argue it is time to ‘think outside the square’ and tackle the problem at its root cause, which is a lack of paid employment opportunities driven by a false argument that direct job creation strategies are ‘unaffordable’. In Section 3.4 we exposed the fallacy of the government budget constraint paradigm which is used to make this argument.

## **5. A Job Guarantee for people with psychiatric disability**

### **5.1 What is a Job Guarantee?**

For any person to be able to work at their full productive capacity, basic conditions need to hold. These include access to adequate nutrition; housing and transport; a supportive home life free from violence; and care in the case of illness or addictions. We would argue that any society and government that values work and aspires to full employment should provide the social supports and structures implied by this objective. Indeed, it would be hard to understand the logic of current labour market programs in a policy environment that did not aspire to ensuring that these basic conditions of life are guaranteed (Mitchell, Cowling and Watts, 2003: 33).

The Job Guarantee (JG) framework directly addresses the cause of income security by tying a secure income to a work guarantee. Any person with psychiatric disability who is able to work will be able to access a job that provides a 'living wage'. Those unable to work will be provided with a 'living income'. The movement towards full employment is attained by ensuring there is an open offer of paid work available at any level of aggregate demand rather than by engineering labour supply adjustments, which define the problem away (Cowling, Mitchell and Watts, 2004: 7; Mitchell and Wray, 2004).

Under this proposal, the Federal Government would maintain a 'buffer stock' of jobs that would be available to, and suitable for, the targeted group. The JG would be funded by the Commonwealth but organised on the basis of local partnerships between a range of government and non-government organisations. JG workers would be paid the Federal minimum award wage.

The 'buffer stock' is designed to be a fluctuating workforce that expands when the level of private sector activity falls and contracts when private demand for labour rises. Instead of forcing workers into unemployment when private demand slumped, the JG would ensure that workers with psychiatric disability would have immediate access to a public sector job at the safety net wage. Accordingly, workers can maintain an attachment to paid employment and not be forced, by systemic job shortage, into welfare dependency. Data from the Case Based Funding Trial stressed the importance of quick job placement in the attainment of employment outcomes. If a participant had not obtained employment within 12 months of commencing with a disability employment service, there was only an 8 per cent chance of them doing so (Wade and Bell, 2003: 13).

Through creative job design, the activities that JG workers perform can enhance both community and individual well-being. Activities could include urban renewal projects, the provision of community care and meals services, and environmental schemes such as reforestation, sand dune stabilisation and erosion control.

We recognise that a number of people with psychiatric disability face chronic labour market disadvantage due to complex issues such as homelessness or insecure housing, episodic illness or substance abuse and poor literacy, numeracy and living skills. It is thus proposed that JG employment could be taken on a part-time or block basis to accommodate access to support for such needs. This is analogous to providing for family and carers' leave in award agreements in order to support the personal needs and circumstances of employees. It is argued that by providing disadvantaged individuals

with sustainable employment and structured training opportunities, the JG would support the attainment of housing, health and personal development outcomes (Mitchell, Cowling and Watts, 2003: 33).

## 5.2 A new paradigm

The JG model is neither a labour market program nor an Australian version of the United States 'Workfare' model. Unlike active labour market programs, JG jobs would provide individuals with the opportunity to enjoy secure and on-going employment, and wage and non-wage benefits (such as paid annual leave and superannuation) consistent with minimum awards. The JG is not a time-limited program or placement, and would begin to redefine the concept of 'mutual obligation'. By contrast, people with disability in SWS or WSS positions in open employment register a positive employment outcome when they remain in the job for a minimum of 8 hours per week for at least 13 weeks (FaCS, 2003e: 6). Under the JG proposal, the government accepts greater responsibility for job generation and pays workers the Federal minimum award. In order to receive the award wage, those who are eligible would be required to accept a JG job that is compatible with their health and support needs.

## 5.3 Productivity issues

In contrast to the Commonwealth's Supported Wage System (SWS), in which employers pay workers with disabilities a wage equivalent to their independently assessed productivity, JG workers would be paid the full minimum award wage.<sup>14</sup>

We argue that the appropriate productivity benchmark for state-provided buffer stock jobs is not the productivity of those in comparable private sector jobs, but the productivity of those denied paid work by the failure of macroeconomic policy to ensure full employment. The JG is not concerned with productivity as a neoclassical construct but with the 'social productivity' embodied in jobs rather than workers. There are intrinsic benefits to citizens and society, when a person who is able to work can attain a job and reduce their dependence on the welfare system. The provision of buffer stock jobs by the government is inherently productive for this reason. The role of the state is to provide jobs and support services that are suitable for, and required by, those unable to obtain work in the private sector. Individuals undertaking this work then have the opportunity to do the 'best they can'.

## 6. Future research

In advocating the introduction of a JG we are not suggesting that current reform initiatives can or should be disbanded or that the JG precludes a strong public sector commitment to broad social expenditure in areas like hospitals, mental health, community care and rehabilitation services, transport and accommodation.

An effective JG for people with psychiatric disability must be situated within a coordinated system of care. Integrated care and effective partnerships are considered essential for individuals with more complex needs, such as a dual diagnosis (National Mental Health Strategy, 2003: 34).

It is important to stress that even in circumstances where (a) the individual has a capacity for productive work, and (b) there is a shortage of workers, persons who experience acute

and episodic bouts of mental illness or chronic impaired functioning may have great difficulty in finding a flexible work environment that is tolerant of, and adaptable to, their varying health and support needs. The JG is a framework through which we may simultaneously deal with the availability of jobs for people with psychiatric disability and appropriate job design.

A priority for future research work by the Centre of Full Employment and Equity and its partners from the mental health sector will be to consider the shape and association of support structures within which the JG scheme will be nested. By attending to the shortage of flexible job opportunities, the JG provides an effective anchor for the current reform agenda. It offers the chance to take an evidence-based approach to the integration of services in a way that can provide for the dual goals of paid employment and continuity of care.

While there is substantive evidence demonstrating the effectiveness of supported employment in improving participation outcomes for persons with severe mental illness (Morris and Lloyd, 2004: 493; Bond *et al.*, 2001: 314-15), it is important to consider how mental health services and vocational rehabilitation could be better integrated in Australia (Waghorn and King, 1999: 159). Particular attention will also be given to the design of assessment procedures used to match people with psychiatric disability to JG positions.

While the Disability Pre-employment Instrument (DPI) and the Disability Maintenance Instrument (DMI) were developed for use in the Case Based Funding Trial, the Department of Family and Community Services has instituted a review of these funding classification tools. The review will consider the appropriateness of the existing assessment process for people with psychiatric disability given concerns about whether the assessment instruments reflect the support needs of individuals with episodic or highly variable conditions (FaCS, 2003f: 7). Additional psychiatric assessment items suggested for the DPI and DMI<sup>15</sup> (FaCS, 2003f: 5) will be of direct relevance to those engaged in job-matching roles for the JG. These include mood swings, psychotic behaviour in the workplace and interventions to address this, and liaison between JG administrators and employers and the worker's treating medical professionals.

## **7. Conclusion**

In concluding, we return to our starting point of human rights. In proposing a state-provided Job Guarantee for people with psychiatric disability we have built an argument that is grounded in the advancement of human rights. A case claiming that access to paid work is a natural human right may struggle. However, the case presented - following Siegel (1994) and Sen (1997) - argues that a right to employment is based on empirical analysis of the experience of unemployment, and the way in which this violates concepts of individual liberty and citizenship. In addition, the introduction of a JG would accord with ILO provisions that people with disability should have a right to decent paid work in order to enjoy a semblance of equality with non-disabled people in the society in which they live.

Paid work remains central to identity and independence in contemporary Australia, and persistent unemployment is central to the financial hardship confronting many people with psychiatric disability.

The dimension of the task confronting those charged with providing employment and rehabilitation services for those with mental illness is principally determined by the macroeconomic environment in which they operate. If we are to break the cycle in which people with psychiatric disability find themselves unemployed, marginalised and poor then we must directly address deficient labour demand while we build a more accessible and personal support framework.

The Job Guarantee is based on a model of community in which all members feel they have a meaningful stake, and where the most disadvantaged workers are guaranteed employment opportunities, and the security of a living wage, in hard times. It is a model that is accessible to people with psychiatric disability as JG jobs can be designed to accommodate the needs of those with episodic illnesses, and be integrated with the medical, rehabilitation and support services that workers may require.

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## Notes

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1 The Survey collected data on prevalence rates for the following mental disorders: Anxiety disorders (panic disorder, agoraphobia, social phobia, generalised anxiety disorder, obsessive-compulsive disorder, post-traumatic stress disorder); Affective disorders (depression, dysthymia, mania, hypomania, bipolar affective disorder); Alcohol use disorders (harmful use and dependence); and Drug use disorders (harmful use and dependence) (ABS, 1998: 3).

2 The concentration of mental problems among younger adults means that the effect of age standardisation is to increase the incidence of unemployment and lower the labour force participation rate of people with mental disorders.

3 The SDAC98 classifies a person as having a disability on the basis of their response to 17 screening questions. Wilkins (2003: 11-13) classifies a person as having a mental impairment if they experience one or more of the following for at least six months: (a) blackouts, fits or loss of consciousness; (b) a nervous or emotional condition that restricts everyday activity; (c) treatment of a long-term condition, not covered by other screening questions, that restricts everyday activities; and/or (d) difficulty gripping.

4 Wilkins' results - which are based on confidentialised unit record files from the 1998 ABS Survey of Disability, Ageing and Carers (SDAC98) - differ from estimates calculated in Table 1, which are based on data from the 1997 ABS National Survey of Mental Health and Wellbeing of Adults (SMHWB). There are a number of important differences between the surveys that assist to explain the differences in the employment, unemployment and labour force participation rates derived. These include: (a) the use of age-standardised data to derive Table 1 estimates; (b) differences in the age range of samples with the SMHWB using adults aged 18 years and over while the SDAC98 uses persons aged 15 years and over; and (c) differences in the measurement of disability, with the SMHWB using the Brief Disability Questionnaire while measures in the SDAC98 are based on the World Health Organisation's International Classification of Impairments, Disabilities and Handicaps (see endnotes 1 and 3, and the technical appendices in ABS, 1998 and 1999).

5 Open employment services are one of the two main types of Disability Employment Assistance Services funded by the Department of Family and Community Services. They aim to assist job seekers to gain and maintain employment in the open employment market - or to become self-employed - by providing the training, job placement and on-the-job support, necessary for a job seeker to gain and maintain a job (FaCS, 2004a). Our interest in this paper is assessing, and improving, labour market outcomes for people with psychiatric disability in open employment. However, we do acknowledge that a proportion of this cohort do achieve employment outcomes through supported employment services (also known as Business Services). This second type of service is designed to support persons for whom competitive employment at, or above, the relevant award wage is unlikely; and who, because of their disabilities, need substantial ongoing support to obtain or retain paid employment (FaCS 2004a: 4)

6 This section draws heavily on Mitchell and Mosler (2002).

7 In Australia, the Federal Government has a monopoly over the issuance of fiat-currency.

8 For participants whose primary disability was of a psychological/psychiatric type, FaCS assessors found that 53.8 per cent had no capacity for work without intervention, while 5.9 per cent had the capacity to work for more than 20 hours per week (FaCS, 2003d: Table 7).

9 The second reading debate on the Family and Community Services Legislation Amendment (Disability Reform) Bill 2002 was adjourned in the House of Representatives on 30 May 2002 without the Bill being read a third time. A second bill - the Family and Community Services Legislation Amendment (Disability Reform) Bill (No. 2) 2002 - was introduced in the House of Representatives on 27 June 2003. It proposes the same amendments to the DSP provisions but proposes transitional provisions for DSP recipients. The new qualification criteria would only apply to those claiming DSP on or after 1 July 2003 (Yeend, 2002a). This Bill has not been passed by the Parliament.

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10 The total DSP population at June 2002 was 658,915. Between June 2002 and June 2003, 11,571 DSP recipients left income support payments entirely (FaCS, 2003b: Tables 1.2 and 5.2).

11 Argyrous and Neale (2003: 16-19) provide a detailed inventory of measures to restrict eligibility for disability payments over the past 30 years.

12 A single person on the maximum rate of DSP can earn up to \$122 per fortnight before the rate of pension payable is reduced by 40 cents in the dollar. By contrast, a single person on the maximum rate of NSA can earn up to \$62 per fortnight before the rate of pension payable is reduced by 50 cents in the dollar (Centrelink, 2004a and 2004b).

13 Temporary exemptions from activity testing requirements may be granted for medical or personal reasons.

14 Under the Supported Wage System (SWS) an accredited SWS wage assessor would compare the productivity of an employee with a disability with that of other employees in the workplace doing the same (or similar) job at full award wages. If the SWS-eligible employee is assessed as being 70 per cent productive they can then be paid at 70 per cent of the full award rate. The assessed percentage of productivity applies to the wage rate only (FaCS, 2004c).

15 From 1 January, 2005 both the DPI and DMI will include a new domain to capture variable support needs by asking whether support needs vary; the incidence and degree of any fluctuation; and whether the job seeker's condition is episodic or deteriorating (FaCS, 2004d and 2004e).