Presentation to the Inquiry into Workforce Participation by People with a Mental Illness

Family and Community Development Committee
Parliament of Victoria

Brotherhood of St Laurence

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Abbreviations

BSL	Brotherhood of St Laurence
CVCAL	community Victorian Certificate of Advance Learning
DES	Disability Employment Services
DSP	Disability Support Pension
GFC	global financial crisis
ILM	intermediate labour market
IPS	Individual Placement and Support
JSA	Job Services Australia
PSP	Personal Support Programme

Note:
Pseudonyms have been used to protect the identities of the individuals featured in case studies in this submission.

Contents

Summary

We understand that the focus of this inquiry is correctly placed on the role of the Victorian Government in improving the workforce participation of people with mental illness. However, it is important to pay attention to the broader national policy context in the shape of both economic and social policies that impact on job entry and retention. Our presentation draws on the findings from the Brotherhood's research and evaluation of a range of service delivery initiatives, our policy analysis and our experience in providing services to people who experience social disadvantage and exclusion, including those with mental illness.

Approach

People with mental health issues and their families are a diverse group and include those with serious medical conditions as well as those who experience mental health issues which may be associated with their difficult life circumstances. Many factors shape the experience of mental health issues, including life stage, poverty, cultural background, gender and place.

Australia experiences one of the highest differentials in employment rates between those with a severe mental disorder and those with a moderate mental disorder, with even larger differentials for the subgroups of males, mature-aged workers and the poorly educated (OECD 2012, p. 47). OECD comparative analysis for selected countries including Australia shows the levels of income disparity faced by those with severe or moderate mental illness. Australia stands out among these nine countries, with the lowest income level of people with severe mental disorders, at only 35 per cent of average income of the working age population (OECD 2012, p. 50). Very low incomes create and reinforce barriers to participation in many ways.

Rather than seeking the proliferation of special programs and responses to the needs of people with mental health issues, our approach is to argue for effective universal services and policies that enable a decent quality of life as a starting point. For those with severe disorders and complex needs, additional services and support are required through better coordination of health, housing and employment assistance.

Research clearly shows the importance of early intervention through effective assessment, health care and support to maintain employment or re-engage with work consistent with functional capabilities. A growing evidence base shows the importance of integrated approaches that combine case management and personal support, training (foundational and 'on the job' skills) and paid work experience in a supportive setting.

Those who are unemployed require multiple pathways into paid work, either through mainstream open employment, transitional employment (intermediate labour market model) or supported employment (social enterprises) that meets their aspirations, capabilities and career prospects.

Clearly, macro-level policies that support economic growth and build a vibrant Victoria are important. However, targeted job creation strategies should also play a key role in providing opportunities for those facing multiple barriers to social and economic participation.

Demand-side barriers are also important if we are to improve the employment rate of Victorians with a mental illness. Employers require support and encouragement to take on and retain people with mental illness. This requires proactive policies to improve workforce diversity, including staff professional development.

Our research shows that people experiencing disadvantage want to work and want policies that 'would make the path to paid work straightforward, worthwhile, secure *and* flexible' (Bodsworth 2010, p. xiii). Funding models and policy settings must support the expansion of effective approaches based on our growing understanding of the complexity and dynamics of mental health and employment.

Context of workforce participation for people with mental health issues

The Brotherhood's recent submissions on insecure work and active labour market policy have drawn attention to the longer run trends in the Australian economy and labour market (beyond the GFC) that affect workforce participation. This context is important in developing more effective policies to lift the employment rate of Victorians with mental health issues.

The key points we have made in these submissions are:

- The 'world of work' has changed dramatically. There has been a threefold increase in **underemployment** over the past 30 years. Australia has one of the highest levels of **casual employment** in the OECD, covering most industries and occupations. Increasingly, the available jobs require higher qualifications as well as foundational and presentation skills in the services and knowledge-based economy.

- **Paid work** may provide opportunities to engage and contribute, but much depends on the nature of the jobs. Very low paid, insecure work or work with high levels of 'job strain' may not provide a sustainable path to inclusion and indeed, may serve to further exclude already marginalised people.

- **Australia under-invests in active labour market programs:** The leading OECD countries (Denmark, Belgium, Netherlands and Sweden) spend over 1 per cent of GDP on active labour market programs, compared with 0.32 per cent by Australia.

- **Australia has a relatively poor record in the employment of people with a disability**, with only about half of those of working age engaged in paid work in 2009: 50 per cent nationally and 48.5 per cent in Victoria. Some 55 per cent of Australians with a disability are of working age (15–64 years) and 17 per cent of those with a disability report their main condition to be a mental or behavioural issue.

- Our assessment of the effectiveness of the mainstream employment assistance program (JSA) concludes that **there is scope for substantial improvement in service delivery aimed at highly disadvantaged jobseekers, including those with a mental health issue**.

- We have called for a **rethink of the JSA approach to deliver a better integrated model that combines personal support (through a single case manager), foundational and vocational skills and work experience with a direct line of sight to employment.**

- **Service delivery models are required that integrate employment assistance with mental health support and offer more personalised support, including post-placement follow-up with both client and employer (when appropriate).**

- **Training:** Substantial reform has been undertaken at state and national levels to create capacity in the training system in a demand-driven market. However, barriers to course completion for students and trainees will not addressed by increasing capacity alone. There also continues to be an urgent need for more exemption places and concessions for

disadvantaged learners within the VET system. Personalised assistance (with careers advice) in navigating post-secondary education and training is required to assist individuals to make informed decisions.

- **Demand-side issues:** Victoria has a highly competitive labour market with a surplus of unemployed and underemployed workers (358,000 people in January 2012). Those who are 'job ready', have recent relevant work experience, present well and have good mobility, find work.

- In the current economic climate, some employer bodies claim there are significant labour shortages in particular industries and local regions. There is thus a strong argument for policies that encourage and support employers to take on disadvantaged jobseekers.

- **Employers require support and encouragement to take on diversity groups**, including those with disclosed mental disorders or disabilities, to overcome discrimination, provide support and offset lower productivity in some circumstances. While integrated models as proposed by the Brotherhood can help for those participating in employment assistance, there is an important role for the Victorian Government to encourage the adoption of best practice workplace diversity programs by employers.

- **Job creation:** Getting the macro-economic levers right is important, but stimulation of jobs in adequate numbers requires **ongoing investment in major infrastructure projects** that smoothes out the effects of the economic cycle and leads to long-term jobs growth in emerging industries and sectors. **This is a critical role for the Victorian government**.

- Including **social procurement clauses** in state and local government contracts provides a vital pathway for disadvantaged jobseekers to be taken on by mainstream employers in partnership with community support services. The Victorian Government has been proactive in this area through the Public Tenancy Employment Program and the development of social procurement guidelines. The Brotherhood believes there is considerable scope to expand the coverage of social procurement provisions across government and private businesses.

Summary recommendations

Based on our assessment, the Victorian and Commonwealth Governments should place a higher priority on a coherent policy action plan to resource and deliver more effective interventions on both the supply *and* demand sides of the labour market to lift participation levels.

Responsive mainstream health services play a critical role in the recovery and rehabilitation of workers who experience mental illness. A stronger return-to-work focus that assists employees to retain their job with more supportive and flexible arrangements is suggested. This requires education and skills development for employers to adopt supportive practices, designed to take into account the emerging knowledge and services-based economy.

Over half of Australians with a long-term health condition or disability experience social exclusion according to the latest Social Exclusion Monitor findings. The multidimensional nature of exclusion requires well-integrated models of assistance that offer a line of sight to paid work where possible. Despite recent reforms, the current mainstream service system, Job Services Australia, while reasonably effective in helping 'job ready' unemployed individuals into work, continues to fail a large number of Victorians with mental health issues. Further reform is needed to strengthen

pathways into decent paid work, in mainstream or supported employment, through a coherent suite of supply and demand side measures.

While the Commonwealth Government has primary responsibility for income support and employment assistance, the costs of the high level of labour underutilisation through lost productivity and increased expenditure on health and welfare services are borne by state governments. There is thus a critical role for the Victorian Government to drive reform of universal services, based on the emerging evidence base on more effective interventions, through assertive advocacy to the Commonwealth.

At the state level, we recommend an *Action plan* with investment in targeted interventions to:

- address job seeker disincentives to taking up work (make work pay provisions)
- encourage employer hiring of disadvantaged jobseekers (workforce diversity measures)
- support employer retention of workers who experience mental illness
- stimulate job pathways for disadvantaged jobseekers through social procurement policies
- further develop time-limited job subsidy models aimed at jobseekers with barriers to open employment (building on the New Workforce participation approach).

Specific issues

We highlight three key areas of particular relevance to the present inquiry: young people in their transition from school to employment, the Individual Placement and Support (IPS) approach and the benefits of social enterprises in supporting people with mental health issues in employment.

Young people, work and learning

- The principle of *place and support* should guide the re-engagement of young people into education and training after mental illness.
- The onset of mental illness is a barrier to attendance and attainment in education and post-compulsory training. Youth professionals consulted in our evaluation of Peninsula Youth Connections suggested that depression, anxiety and other conditions have increased in prevalence, and have become key factors among 'school refusers'.
- The need for early diagnosis and treatment is critical, but our Peninsula Youth Connections evaluation suggests that demand exceeds supply.
- There is a strong body of evidence in support of early intervention to address barriers to learning. More complete assessment of students when they first start school would flag those at risk of disengagement, as a basis for additional funding to enable access to responsive support, including specialist health and welfare services, as well as alternative flexible learning.
- Education providers have limited flexibility (pedagogy and curriculum), insufficient welfare support and poor access to specialist help to ensure effective participation of students with mental health barriers to learning.
- The core elements of the Youth Connections model - its intensive case management, flexibility and holistic approach to support – are proving highly effective. However, at this stage in the evaluation, we suggest that the target should be redefined to disengaged young people rather than on those still enrolled in school.

Ways forward

- The most efficient policy response is for governments to invest more in mainstream education to implement strategies to identify all risk factors, including social exclusion factors, and to allocate additional resources to individual needs based on the extent of risk. BSL therefore urges the Victorian Government to advocate strongly to the Commonwealth, following the release of the Gonski Review of school funding, for increased funding for disadvantaged students through an adequate resource standard and disability entitlement.

- BSL recommends further review of the array of student and youth support services with the objective of consolidation into a *Student Development Service* that sits alongside school and training teaching staff and is linked into community services, including specialist health services.

- BSL further recommends that the Victorian Government build on the growing expertise and momentum within the community for flexible alternative learning approaches that offer effective re-engagement pathways. Specifically, we urge:
  - reinstatement of the funding for coordinator support to CVCAL providers
  - funding of community-based learning support programs.

Individual Placement and Support (IPS)

- IPS provides ongoing support for those people with severe mental illness who want to work. Since employment is seen as a key part of more effective rehabilitation, the approach is to place and support rather than to prepare and place. Elements include strong relationships with employers and potential employers, sensitivity to issues around disclosure and stigma and ongoing personal support.

- In 2009 we conducted a study to examine how the IPS approach could be adapted to be provided within the employment services system under Job Network. At that time. the employment services agency was bound by contract requirements under Job Network and PSP which limited the implementation of several key IPS elements, particularly outreach, offering service on a voluntary basis and requiring the employment specialist to undertake all aspects of the package (i.e. job development, direct client engagement and post-placement support). Our analysis of the current employment services system, Job Services Australia, suggests that similar contractual constraints persist.

- The study also highlighted problems of disclosure**.** It was difficult to provide support to participants or to their employers, as the individuals preferred not to disclose their condition to their employer due to a quite reasonable anxiety about being stigmatised or compromising their employment. Support in employment is vital to ensure that disadvantaged jobseekers get jobs and keep them, but it requires the worker's consent. The IPS adaptation pilot highlighted the importance of raising awareness and discussing issues about disclosure with employers and people with mental health issues.

- Our research suggests that there is much to be learned from this approach to supporting people into work with mental health issues. But adequate resources and case worker skills are essential to provide a more integrated and personalised form of assistance. Policies, contract management and accountability provisions are required that enable a 'black box' service delivery with greater flexibility, collaboration and responsiveness to individual needs.

Ways forward

- Support IPS approaches within mental health as part of rehabilitation.

- Further develop strategies in support of a return to work through general practitioners.

- Provide advice for employees with mental health issues about disclosure, coupled with advocacy and support to address employer discrimination.

- Continue to raise awareness of mental health issues in the community, especially among employers, to overcome stigma and discrimination.

- Support return to work and job retention, and reduce work stressors, by developing employer and line manager skills and resources through enhanced workplace practice principles and guidelines.

- Advocate changes to the JSA system to better support the needs of people with mental disorders, through investment in more intensive, better integrated models.

Social enterprises

- Social enterprises provide a more flexible and supportive working environment that takes into account the capabilities and circumstances of individual trainees or workers.

- The Intermediate Labour Market approach has been found to provide a more effective pathway to employment for disadvantaged jobseekers.

- Social enterprises with an employment focus therefore provide a vital opportunity for those who do not meet the levels of functional capabilities or productivity required by mainstream employers. Enterprises that aim to give transitional or permanent paid work must be considered as a key part of an integrated suite of active labour market policy.

- Employment-focused enterprises struggle to achieve financial self-sufficiency from trading revenue alone. Support for financial products to start up new enterprises with solid business plans is essential. However, some recurrent funding to offset the costs of reduced productivity is also necessary.

Ways forward

- The Brotherhood has called for further reform to the JSA system that would enable the expansion of viable social enterprises as a key path into paid work for highly disadvantaged jobseekers (Stream 4 and Work Experience phase). We suggest there is a key role for the Victorian Government to advocate strongly to the federal government to review active labour market policy so as to enable better integrated assistance using the ILM approach through mainstream employers and social enterprises. An 'off-benefits' model using income support payments and employment assistance entitlements would deliver better value for money in the longer term for governments and the community.

- At the state level, we recommend consideration of additional measures building on recent social procurement initiatives, to increase the number of transitional and supported work opportunities available to working age Victorians with mental illness.

1 The Brotherhood of St Laurence

The Brotherhood of St Laurence (BSL) is an independent, non-government organisation with strong community links that has been working to reduce poverty in Australia since the 1930s. Based in Melbourne, but with a national profile, the BSL continues to fight for an Australia free of poverty. We undertake research, service development and delivery, and advocacy with the objective of addressing unmet needs and translating the understandings gained into new policies, new programs and practices for implementation by government and others.

The Brotherhood has a long history of service delivery relevant to employment assistance as a not-for-profit provider, both prior and subsequent to the introduction of the reforms implemented under the former Howard Government. The organisation is known for having piloted in the mid 1990s the Job Placement Employment and Training (JPET) program, which was subsequently adopted by the federal government as a key component of the Commonwealth Employment Service.

In 1997, the Brotherhood, along with 37 other not-for-profit providers, formed Job Futures for the purpose of tendering to provide employment services in the new Job Network. Since that time we have delivered employment assistance through the Job Network, the Personal Support Programme (PSP), JPET and the Disability Employment Network (DEN). The Brotherhood opted not to tender for work through Job Services Australia. Rather we have sought to address weaknesses in employment assistance for disadvantaged jobseekers through a combination of trials and applied research focusing on place-based approaches that build on evidence of more effective models of assistance.

We successfully applied for DEEWR Innovation Funding to test a better integrated intermediary approach targeting public housing tenants in inner city Melbourne through the Centre for Work and Learning Yarra. We have also collaborated with Mission Australia on a project supported by the Innovation Fund to build the evidence base in support of ILM models using social enterprises to offer paid traineeships to highly disadvantaged jobseekers.

Over the past few years, BSL has undertaken the following developmental initiatives:

- *Evaluation of the Personal Support Program:* A collaborative study investigated the extent to which the PSP enabled highly disadvantaged groups achieve a positive outcome;

- *Pilot of the Individual Placement and Support (IPS) model:* A six-month trial of an adaptation of the IPS approach to improve employment pathways for people with mental health issues was undertaken in 2009 with a Job Network provider in Melbourne;

- *Community Enterprise Development Initiative:* Funded through the Victorian Government (DVC), CEDI worked in disadvantaged communities (Neighbourhood Renewal sites) to support and develop enterprises that would offer employment opportunities for residents as well as social benefits for their communities;

- *Youth transitions:* BSL is undertaking several service initiatives that address the disengagement of young people from school, training and paid work through more flexible learning models and better integrated assistance for those at risk of exclusion. These include the delivery of CVCAL (an alternative course for Years 11–12) in Frankston, our provision of Youth Connections in the Mornington Peninsula area and the Youth Employment Project in Caroline Springs (a New Workforce Partnerships project).

We have also prepared policy submissions in relation to workplace issues, income support, employment services, and mental health issues, including:

- *Line of Sight: better tailored services for highly disadvantaged job seekers*, a submission to the Australian Government on future employment services from 2012, January 2011

- A submission to the National Advisory Council on Mental Health regarding 'Daily bread, income and living with mental illness', August 2010

- A submission to the Senate Committee inquiry into social security and other legislation amendment bills, February 2010

- A response to the Future of Disability Employment Services in Australia discussion paper, January 2009

- A submission to the parliamentary inquiry into the provision of supported accommodation for Victorians with a disability or mental illness. October 2008

- *Pension reform for all*, submission to the Pension Review of measures to strengthen the financial security of seniors, carers and people with a disability, September 2008

- *Sustainable outcomes for disadvantaged job seekers* Submission to the Australian Government on the Future of Employment Assistance, February 2008.

Our presentation draws on the findings from our research and evaluation of these initiatives, our policy analysis and our experience in providing services to people who experience social disadvantage and exclusion, including those with mental illness.

In this paper, we adopt the terminology used by the OECD: 'Mental disorder … is defined as mental illness reaching the clinical threshold of a diagnosis according to psychiatric classification systems'. The broader term 'mental health issues' refers 'to mental disorders defined in this way but also include psychological distress, i.e. symptoms or conditions that do not reach the clinical threshold of a diagnosis within the classification systems (so-called "sub-threshold conditions")' (OECD 2012, p. 11).

We first set out our basic approach and our understanding of the context. Then drawing on our research and experience, we discuss three specific areas in relation to the workforce participation of people with mental health issues. Finally, we suggest some ways forward, with a particular focus on these three areas: the needs of young people with mental health issues, Individual Placement and Support, and social enterprise.

2 Mental health, poverty and social exclusion

People with mental health issues and their families are a diverse group and include those with serious medical conditions as well as those who experience mental health issues which may be associated with their difficult life circumstances. Mental health issues may be episodic, may fluctuate in severity and may be associated with alcohol and drug abuse. As *The State of Victoria's Children 2010* points out:

> At least 30 per cent of public mental health patients also experience harmful drug and alcohol use and up to 50 per cent of people with severe mental health problems living in the community also have alcohol and drug use problems. (Department of Education and Early Childhood Development 2011, p. 106)

Many factors shape the experience of mental health issues, including life stage, cultural background, gender and place. In addition, particular groups, such as those who have experienced war and have been refugees, have specific mental health needs. The heterogeneity of this population must be taken into full account in considering more effective services with a return-to-work focus for people with mental health issues. The OECD points out that around three-quarters of people who are affected by a mental disorder have a mild or moderate disorder, and 'severe mental disorders are relatively rare' (2012, pp. 11–12). The variance in symptoms, complexity, co-morbidity and episodic characteristics experienced by both these groups points to the importance of personalised engagement, assessment and support models that offer flexible transitions to work that match individual aspirations and functional capabilities. Australia experiences one of the highest differentials in employment rates (28 percentage points) between those with a severe mental disorder and those with a moderate mental disorder, with even larger differentials for the subgroups of males, mature-aged workers and the poorly educated (OECD 2012, p. 47). Those with severe mental disorders (SMD) experience longer spells of unemployment, resulting in the loss of vocational skills, confidence and social capital, which in turn compounds their exclusion from retraining and employment.

The focus of our work in relation to mental health has been on unemployed jobseekers who experience socioeconomic disadvantage. Our work has been influenced by the ideas of Amartya Sen, who recognised that poverty is multidimensional. He argued that '[I]ncome may be the most prominent means of a good life without deprivation, but it is not the only influence in the lives we can lead' (Sen 2000, p. 3). Sen recognised that income poverty is important and can compound the processes of social exclusion.

The relationship between mental health issues and socioeconomic disadvantage is well-documented and complex. Importantly, the relationship goes two ways: having a mental health disorder can mean you are more likely to be disadvantaged and vice versa. Whatever the relationship between mental health and poverty, one thing is clear: severe mental health issues are associated with poverty and social exclusion. OECD comparative analysis for selected countries including Australia shows the levels of income disparity faced by those with severe of moderate mental illness. Australia stands out among these nine countries, with the lowest relative income level for people with severe mental disorders, at only 35 per cent of average income of the working age population (OECD 2012, p. 50).

The Brotherhood of St Laurence and Melbourne Institute Social Exclusion Monitor has shown the high prevalence of social exclusion, especially deep exclusion, experienced by Australians with a disability or long-term illness: over half (54 per cent) of this group experienced social exclusion in 2008, with 14 per cent facing deep exclusion (Horn, Scutella & Wilkins 2011, p. 4).

Very low incomes create and reinforce barriers to participation in many ways. For example, inadequate incomes restrict an individual's opportunity to travel, due to the costs of maintaining and running a car, and the costs of public transport. Such barriers overlap and compound each other. For example, low-cost housing may only be available in outer suburbs which tend to be poorly served by public transport. Thus housing and transport may combine to create very real barriers to engaging in employment or formal learning opportunities.

In addition, very low incomes may affect access to vital health and dental care: in our recent study, *Public dental care and the Teeth First trial: a history of decay* (Bond 2010), we found that inadequate dental care has widespread impacts in relation to employability, self-esteem, quality of

life and health. The experience of poverty and disadvantage compounds the difficulties of people with mental health issues who seek to participate in social and economic life. Further, the work involved in receiving welfare payments and services is made more difficult by inadequate resources.

The very low level of income support payments ($35 a day for Newstart recipients) restricts social and economic participation. Accordingly, we have recommended that the federal government increase income support payments to enable jobseekers to lead decent lives, without the added burdens of poverty and associated insecurity. We also have recommended an extension of eligibility for healthcare concession cards because the cost of medications without such concessions can act as a financial disincentive to gaining and keeping jobs (BSL 2010).

Rather than seeking the proliferation of special programs and responses to the needs of people with mental health issues, our approach is to argue for effective universal services and policies that enable a decent quality of life as a starting point. For those with severe disorders and complex needs, additional services and support are required through better coordination of health, housing and employment assistance. Research clearly shows the importance of early intervention through effective assessment, health care and support to enable people to maintain employment or re-engage with work consistent with functional capabilities. A growing evidence base shows the importance on integrated approaches that combine case management and personal support, training (foundational and 'on the job' skills) and work (whether mainstream employment, transitional or work experience in a supportive setting).

It is important to note that most people with mental health issues are employed. As the OECD (2012, p.12) observes:

> Employment rates of people with mental disorders are higher than is generally thought. Based on population surveys, the employment rate of people with CMD [common mental disorders] is around 60–70%, or 10–15 percentage points lower than for people with no mental disorder. This seems a high rate but, given the large size of this group, this gap reflects a large output loss to the economy, and for the individuals concerned and their families. The corresponding employment rate of people with SMD [severe mental disorders] is around 45–55%.

For this reason, policies and practices that support people with mental health issues in employment are important. Employers may also require assistance and support in adapting jobs to meet the needs of people with multiple barriers including mental health issues. Our research suggests that some employers are well disposed to people with mental health issues. For example, one employer observed:

> We have recruited a person with depression. We have been very supportive with giving time off and covering absences. It has taken two years, but he is now a model employee.
> (VECCI & BSL 2009, p. 28)

However, small businesses may be reluctant take on employees whom they perceive as 'risky'. Employers require support and encouragement to take on employ people with mental illness, and to effectively manage a diverse workforce. This requires awareness of practical strategies, such as the guide for managers of people with mental illness produced by the Australian Human Rights Commission (AHRC 2010), and understanding of their legal rights and obligations as employers. Broader awareness campaigns such as the Queensland Government's Change Our Minds are also useful in raising awareness of mental health issues amongst staff. Approaches such as IPS work

closely with employers to support employers with mental illness. This approach is discussed in more detail in the Specific Matters section.

Job seekers require multiple pathways into paid work either in mainstream employment, transitional (intermediate labour market model) or supported employment (social enterprises). Our recent study *Making work pay and making income support work* examined the interrelationship of different policies that create disincentives to engage in paid employment. The study highlighted 'the serious structural flaws at the heart of Australia's income support system' (Bodsworth 2010, p. v). It found that 'participants … wanted to work and wanted policies which would make the path to paid work straightforward, worthwhile, secure *and* flexible'(Bodsworth 2010, p. xiii). Funding models and policy settings must support the expansion of effective approaches based on our growing understanding of the complexity and dynamics of mental health and employment.

3 The context of workforce participation

The Brotherhood's recent submissions on insecure work and active labour market policy have drawn attention to the longer trends in the Australian economy and labour market (beyond the GFC) that affect workforce participation. This context is important in developing more effective policies to lift the employment rate of Victorians with mental health issues. In this section we examine supply and demand-side issues.

Supply-side issues

Decent jobs and mental health

The BSL recognises that paid work can play an important role in social inclusion. The benefits of paid work are well documented. But the employment rate of people with mental illness or disorder is lower than people with no mental health issue. We can and should be doing more to support people with mental illness who want to work to get and keep jobs. However, it is important to recognise that while paid employment may provide opportunities to engage and contribute, much depends on the nature of the jobs. Very low paid, insecure work or work with high levels of 'job strain' may not provide a sustainable path to inclusion and indeed, may serve to further exclude already marginalised people.

While there is still insufficient understanding of the causal relationships between mental illness, disability and work, clearly causation operates in both directions: that is, the onset of mental illness (especially more severe disorders) may prevent entry into paid work or may lead to job loss. In a more dynamic and flexible labour market, the risks of job loss or exclusion become much higher. On the other hand, workplace stress from a range of precipitating factors such as job strain is associated with mental illness or distress. As the recent OECD assessment shows, people with severe mental disorders are twice as likely to become long-term unemployed. This group 'are likely to see a depletion of their skills which thereby reduces their chances of reintegration into the labour market' (OECD 2012, p. 48). As the Australian aggregate labour market assistance data indicates, highly disadvantaged jobseekers too often drop out of the labour force in the face of multiple and complex barriers, and may then go on to rely on the Disability Support Pension (DEEWR 2011a, p. 13).

Workers with long-term ill health or disabilities face particular workplace barriers that affect their job retention and advancement. Casualisation of the labour market constrains their precarious foothold on paid work and increasing levels of job churn—short spells in work followed by periods of unemployment or underemployment—exacerbate psychological stress. Within the workplace

other factors contribute to stress. In the Brotherhood's Job Pathways longitudinal study of disadvantaged jobseekers (Bowman 2011), participants were asked what would help them get and keep a job. Four of the top ten issues related to job satisfaction and worker flexibility:

- permanent decent work ('more pay, better hours')

- employee-centred flexibility (for health or caring responsibilities)

- freedom from discrimination, bullying and harassment (including treatment linked to health status or disability)

- access to affordable health care, mental health support and post-placement support from employment services.

OECD analysis of labour market participation by people with mental disorders has pointed to the link between job entry and retention and a level of discrimination due to stigma or negative attitudes of employers and co-workers (OECD 2012). Case studies and anecdotal feedback from the Brotherhood's current employment assistance services and research support this explanation. This is exemplified by a Job Pathways research participant who was a client of the former Job Network:

> During the time I was looking for work, as well as currently, I have been suffering with depression. This aspect of my personal life was ignored by my case manager at Job Network. I feel this was because I am an articulate and relatively well presented and well educated person and so because they believed I could easily be placed into work I was not given the support I really needed. I feel as if they had to push me into employment of any kind just to make the numbers look good on paper. However, I am now in a job that is dissatisfying and feel like I am still just managing to keep my head above water without any support from others. I attempted several times to discuss these problems with my case manager but the response I got was along the lines of: 'But you are well presented and you are not in the same position as our other clients who cannot even dress appropriately for an interview and who couldn't talk well in an interview'. I feel like this was a very discriminatory and superficial perspective of me and my situation.

> In saying these things, my case worker didn't realise how debilitating it is to wake up every morning and feel like it would be better to be dead. Just to have to use all of my energy to tell myself to make it through another day means that my ability to find work and put my energy into a job is severely impacted. I am university-qualified and should be able to work in the field that I am qualified for but am unable to because I can barely get myself together just to do a simple retail job, let alone taking on the responsibility of what I am qualified for. But, I feel like I am stuck and unable to make my life better and this was ignored by those who could have helped me to find some kind of quality in my life. (32-year-old woman)

This personal perspective shows the importance of having skilled and trained employment case workers who understand the realities of living with a mental illness and who can build a trusting relationship with this client group. While most mental health issues are episodic, longer flexible support may be needed, especially by people with severe mental disorders. Services that integrate employment assistance with mental health support and offer personal support that includes post-placement follow-up with both client and their employer (when appropriate) are required. The following quote illustrates how lack of support at work can exacerbate distress and mental health issues:

> I need to leave my job as it is making me ill again. I spend most weekends or days that I am not working feeling depressed and crying. My boss doesn't realise that the way she speaks to people runs them down and undermines confidence levels. I know within myself that I need to go but I can't afford not to work as my husband only has casual work too. The last three and a half years have been difficult. We have no savings left as we had to use all we had before we could get assistance. We have nothing to fall back upon anymore, that makes me feel very insecure. (44-year-old woman)

The very real barriers to getting and keeping jobs include the nature of low-paid 'entry level' jobs that are often casual and on flexible, rotating rosters. While flexibility may be useful in theory in accommodating the needs of people with mental illness or conditions, too often flexibility suits the employer's needs rather than the employee's. For example, a young man described how his stress and anxiety levels increased due to the pressure to perform in a retail role in a supermarket:

> They employ a minimum of staff and get them to work all over the place, so the staff have to be very efficient, and they have time frames for each task just how long it should take. So you're always under pressure. I really had a hard time. (Bowman 2010, p. 13)

Skills and training

Substantial reform has been undertaken at state and national levels to create capacity in the training system in a demand-driven market. We have articulated our concerns about the effect of these reforms elsewhere (BSL 2011). Barriers to completion for students and trainees will not addressed by increasing capacity alone. As we have argued, 'there is a need to provide more support for all programs designed for high-needs students, including those of low socioeconomic status, people who are long-term unemployed, Indigenous Australians, culturally and linguistically diverse communities, those with disabilities, mental health issues or learning difficulties, disadvantaged mature workers, disengaged and 'at risk' young people' (BSL 2011, p. 8). Regulations for accredited courses set out minimum hours of delivery and attendance; these guard against the delivery of 'instant certificates', but they have some unintended consequences for people with mental health issues and others who may require more flexible course delivery.

The cost of training may also be prohibitive, especially for people with mental health issues. As we have argued elsewhere the 'continuing problem of inequity and lack of access hinders Victorians of all ages from fully benefiting from education and training' (BSL 2011, p. 3). There remains an urgent need for more exemption places and concessions for disadvantaged learners within the VET system.

In addition, people with mental health issues may be ill-equipped to make decisions about relevant training. Personalised assistance in navigating post-secondary education and training is required to assist individuals to make informed decisions. Pre-training advice and information is especially important given the new Victorian Training Guarantee funding arrangements. Place-based services such as the Centre for Work and Learning can play a vital role in providing personalised information and advice about training options for people with mental health issues.

Underutilisation of the workforce

The aggregate unemployment rate is currently 5.2 per cent nationally (630,000 people) and 5.4 per cent (156,000) in Victoria (ABS 2012b, January 2012 data). Those with mental illness and disabilities are overrepresented among the unemployed. With less than one job vacancy available for every three jobseekers, those who are job-ready, have prior work histories and present well are able to obtain paid work.

Equally important, a larger number of underemployed workers—876,000 or 7.3 per cent of the national labour force—are seeking more work. The present underutilisation rate of the labour force represents almost 1.5 million Australians of working age. This is not a GFC outcome, as even at the peak of the boom we had over 1million underutilised workers. There has been a threefold increase in underemployment over the past 30 years. In Victoria, the underutilisation rate is 12.3 per cent, representing 358,000 people (December 2011 data).

Non-standard forms of employment have grown substantially over the past two decades (ABS 2012b). Australia has one of the highest levels of casual employment in the OECD covering most industries and occupations (OECD 2004).

These trends reflect deeper changes in Australian society within a globalised economy characterised by increased mobility of money, goods and labour. Victorian businesses will face increasing pressures to be competitive in this emerging, knowledge-based economy driven by rapid technology developments.

The Brotherhood has argued that our current social security system is outdated and unfit to meet the challenge of this dynamic global economy (BSL 2011). A comprehensive reform agenda is needed:

- to deliver economic growth through a more productive and engaged labour force that better meets the needs of employers

- to increase participation and advancement for all workers

- to reduce the level of social exclusion.

In this context, working-age Victorians with mental health issues face significant barriers to job entry and retention.

Compared to other OECD countries Australia performs relatively well in the level of participation of those with mental disorders in employment assistance programs (OECD 2012, pp. 159–60). With recent changes to eligibility for DSP, an increasing proportion of people with a mental illness will receive Newstart Allowance, be referred to mainstream Job Services Australia providers and be subject to stricter participation requirements. The challenge is to lift the outcome rates for this group through the JSA.

Australia's under-investment in active labour market programs

It is important to note that Australia substantially under-invests in active labour market programs compared with best practice across the OECD (Figure 1). Australia spends the 8th lowest out of 26 countries with comparable data on ALMPs, which include public employment services, administration, training employment incentives supported employment and job creation and start-up measures. This level of investment is well below the OECD average and, in particular, below countries such as Denmark, Belgium, Netherlands and Sweden, which spend over 1 per cent of GDP on active labour market programs, compared with 0.32 per cent for Australia.
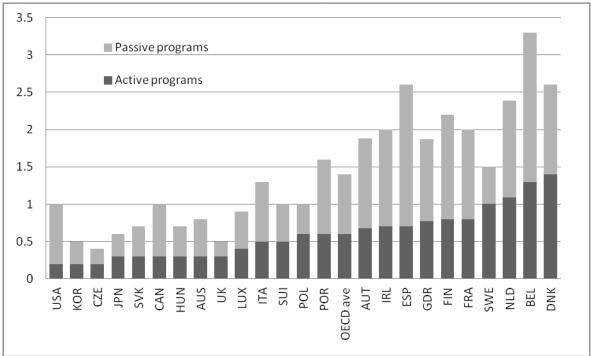
Figure 1: Public expenditure on labour market programs, % of GDP in OECD (2008/09)

Source: OECD (2010)

Typically, these countries specifically invest in job creation through direct subsidies, ILM models, support for social enterprises and funding for supported employment for those people with disabilities who are unable to work in the open labour market. Australia has a poor record in this area, relying largely instead on passive forms of assistance and job placement programs (Job Services Australia and Disability Employment Services) with the relatively small Australian Disability Enterprises funded to provide supported employment for about 20,000 people nationally.

There are signs of increased federal government interest in job subsidy models through a limited initiative aimed at the very long-term unemployed included in the 2011 Budget. But as with ADEs, coverage is limited to a small proportion of disadvantaged jobseekers.

Australia has also supported limited job creation programs in response to the global financial crisis through the Community Jobs Fund. However, these were time-limited and small in scale. It is critical that we learn from this experience to further resource and support sustainable job creation and subsidy models that are shown to be cost-effective in the longer term through moving disadvantaged jobseekers off benefits and into paid work where possible.

Effectiveness of active labour market policies for disadvantaged jobseekers

It is important, then, to assess how effective current labour market programs are for highly disadvantaged groups, including people with mental illness. Even though responsibility for employment assistance and income support rests with the Commonwealth Government, clearly this is the primary social policy instrument that provides employment services to Victorian jobseekers and employers.

Australia has made substantial changes to labour market programs over the past 15 years through the Job Network and more recently the JSA. These have included:

- introducing an assessment process to identify income support recipients with barriers to employment through the Job Seeker Classification Instrument (JSCI) and, for those disclosing specific issues such as mental illness, the Job Capacity Assessment (JCA);

- contracting out employment assistance through competitive tendering to a mix of commercial (for profit) and community (not for profit) providers with tightly managed contractual arrangements

- introducing outcomes-based funding tied to employment pathways weighted by level of labour market disadvantage of clients, and star-ratings based on performance

- strengthening conditionality provisions imposed on an increasing range of income support recipients to encourage active job search, with robust penalties for non-compliance

- reducing levels of assistance after one year for disadvantaged jobseekers (in the JSA) who are unable to be helped to find work, through a Work Experience phase (including Work for the Dole)

- targeted employment assistance for income support recipients with health-related barriers to work or disabilities that affect their work capacity, through Disability Employment Services (DES) and Vocational Rehabilitation Services (VRS)

- supported employment for those with higher levels of disability that affect their functional capacity through the Australian Disability Enterprise system that provides a job subsidy to employing organisations based on workplace assessment of the individual's productivity.

There is limited data on the coverage and effectiveness of these programs for those with mental illness or disorders. In terms of coverage, over 800,000 people are on DSP nationally (DEEWR 2011). Less than 10 per cent are clients of Job Service Australia as active jobseekers. Another 150,000 are now assisted by Disability Employment Services. The 325 Australian Disability Enterprises provide supported employment to about 20,000 people nationally.

Recent client data indicates the participation levels of those with *mental disorders* in active labour market programs in 2010: some 59,000 are registered with JSA (less than 10% of clients) and 43,000 with DES and VRS (about 31 per cent of all their clients) (OECD 2012, p. 160).

Changes to DES and the JSA introduced in 2009 are likely to have improved the participation of those with mental disorders in employment assistance—for example, the absorption of the Personal Support Programme into the JSA (Streams 3 and 4) with a higher level of resources available, the addition of a flexible brokerage fund (Employment Pathway Fund) to resolve barriers to work, and the uncapping of entry into the DES for those with a disability.

Against these positive developments, there are indications that we can do far better in supporting this population to take up and retain paid work, based on national data.

Australia has a relatively poor record in the employment of people with a disability, with only about half of those of working age engaged in paid work in 2009: 50 per cent nationally and 48.5 per cent in Victoria. Focusing on those with an employment restriction, 42 per cent are in either part-time or full-time work, while the majority are not in the labour force (ABS 2010). It should be noted that just over half (55 per cent) of Australians with a disability are of working age (15–64 years) and that 17 per cent of those with a disability report their main condition to be a mental or behavioural disorder.

There is some survey evidence that a significant proportion of disability income support recipients want to work (FaCS 2004). Yet the main employment assistance program, JSA, is still failing to assist the majority of disadvantaged jobseekers into sustainable work. In a dynamic and precarious labour market, particularly for low-skilled workers, the importance of effective active labour market policies cannot be underestimated. Following the changes of 2009, marginal improvements in job outcomes have been achieved for highly disadvantaged jobseekers. However, Stream 4 client data for the 12 months period to June 2011 shows that only one-quarter are assisted into some form of paid work (3-month outcome). One-third (35 per cent) become permanent employees. Over half (54 per cent) are in casual, temporary or seasonal work. We remain concerned that 37 per cent of Stream 4 clients are no longer in the labour force three months after assistance (DEEWR 2011a).

Stream 4 clients have a range of complex barriers to work, including health issues. DEEWR published data on equity groups includes those with a disability. The job outcomes for JSA clients with a disability for the same period (218,100 people in scope) are lower than for the aggregate Stream 1–4 client group: one-third achieve a job outcome (10 per cent full time, 24 per cent part time); 38 per cent remain unemployed; 29 per cent have dropped out of the labour market and 14 per cent are in education or training. The limited outcomes data published for Victoria suggests no significant variance in job outcomes for disadvantaged jobseekers through the JSA. The job outcome rates for participants in the DES are on a par with Stream 3 jobseekers in the JSA and five percentage points better than for Stream 4 clients.

Changes to the assessment of impairment procedures applied to new claimants for DSP and to participation requirements for DSP recipients under 35 years will increase the numbers of jobseekers with mental illness and disorders being assisted by the JSA. Our assessment of the effectiveness of the mainstream employment assistance program concludes that there is scope for substantial improvement in service delivery aimed at highly disadvantaged jobseekers.

Effective employment assistance – key lessons from recent initiatives

The Brotherhood has undertaken a range of innovative projects and demonstration trials over the past five years, building on our experience in delivering employment assistance aimed at disadvantaged groups and communities. Our approach has also drawn from international evidence on more effective models of delivery.

As has been pointed out above, the current mainstream service system largely fails highly disadvantaged jobseekers, including those with mental disorders. Their prospects of securing a sustainable paid job are very poor.

The Brotherhood is advocating for a new strategy for highly disadvantaged groups that would lift re-entry into paid work and increase the likelihood of job retention. This requires greater investment upfront to deliver more effective services, but would pay long-term dividends to the community through decreased reliance on welfare benefits and increased social inclusion and economic participation, leading to increased productivity and lower health and welfare outlays.

More importantly, we have called for a rethink of the JSA approach to deliver a better integrated model that combines personal support (through a single case manager), foundational and vocational skills and work experience with a direct line of sight to employment (BSL 2011b).

An unintended consequence of the contracting out of employment assistance has been the deskilling of front-line staff and the diversion of their time and resources to contract management. Australia has implemented a tightly managed program with a heavy reporting burden imposed on

providers. The program design, including accountability provisions and the payments system, has created perverse incentives which affect delivery through high case loads and lower staff skills. At the same time, a higher proportion of JSA clients have multiple barriers to work, including mental health issues. The capacity of the JSA system to help those with mental health issues is therefore limited as can be seen by the current outcome rates.

Of particular relevance to effective pathways back into work for those with mental disorders, we have criticised the current contractual framework that assumes and encourages a sequential delivery of assistance. Rather, for those with multiple barriers to work that may be long-term, permanent or episodic, flexible and integrated support is essential.

The key elements of a better integrated model should include:

- effective engagement and assessment with single key case worker

- confidence-building activities

- timely access to specialist support services

- insights into job options and career aspirations through careers advice and work 'tasters'

- short-term placements to develop 'on the job' experience

- assertive engagement with local employers to offer direct paid work or traineeships

- continuity of post-placement support (of both employee and employer).

The proactive engagement with prospective employers is critical to match jobseekers with jobs that suit their capabilities and aspirations. Much recent jobs growth is in small and medium-size enterprises. Often these businesses lack the HR resources to provide support to workers in the early stages of a new job.

Demand-side barriers

The Brotherhood believes that too little focus is placed on addressing demand-side factors that often exclude the long-term unemployed and highly disadvantaged groups from taking up and retaining decent paid work.

As we have pointed out previously, the emerging services and knowledge-based economy has led to decreased job opportunities for those with poor education, low skills and long-term health related issues. Victoria has a highly competitive labour market with a surplus of unemployed and underemployed workers (12.3 per cent or 358,000 people). Those who are 'job ready', have recent relevant work experience, present well and have good mobility, find work.

Despite the economy tracking sideways, with significant restructuring underway, some employer bodies claim there are significant labour shortages in particular industries and local regions. There is thus a strong argument for policies that encourage and support employers to take on disadvantaged jobseekers. Workforce diversity measures should be a key component of a targeted demand-side strategy. There are significant bottom line-benefits for employers in developing a more diverse workforce through increased productivity, opening up new markets and higher staff retention levels.

However, employers require support and encouragement to take on diversity groups, including those with disclosed mental disorders or disabilities, to overcome discrimination, provide support

and in some circumstances offset lower productivity. While integrated models as proposed by the Brotherhood can help jobseekers, there is an important role for the Victorian Government to encourage the adoption of best practice workplace diversity programs by employers.

Some employers in particular industries (such as hospitality, retail) and small businesses have expressed concern about the degree of support that could be available if they took on highly disadvantaged job applicants. In other cases, employers point to business risks. For example, in a recent BSL study, a typical perspective referred to the possible negative effects of employing someone with mental health issues. As one employer said:

> Customers who come in don't know that person is someone that's having a hard time. They don't know. Really, all they want is to come in, buy whatever they've got to buy and that's it. So they're a little unforgiving at times (Bowman & Lawlor 2010, p. 34)

While a narrow focus on immediate performance is understandable, there is an imperative to strengthen education and training of employers to encourage workplace diversity and show the potential benefits for their businesses. The importance of intermediary employer engagement roles through integrated employment models and approaches such as IPS shows the need for broader strategies to overcome employer reticence to take on disadvantaged groups.

Targeted wage subsidy models (such as the Victorian Government's New Workforce Partnerships program) can offer an important transitional job pathway for highly disadvantaged Victorians by overcoming the productivity discount for employers.

Job retention

The relatively high probability of mental illness affecting working-age Victorians in employment suggests the importance of stronger measures that support job retention. Brotherhood research into job retention has shown that recurring health issues, including job strain, are one of the major factors resulting in job loss for disadvantaged people with mental health issues who re-enter paid work (Bowman & Clarke forthcoming). The combination of low education, low skills and mental illness increases the likelihood that workers with mental illness or disorders will be in more routine occupations. There is solid evidence that job quality, job insecurity and the type of work affect job retention, satisfaction and mental health (OECD 2012 pp.52&56). The role of workplace managers is critical to reduce stress levels and job strain, especially for those in low-paid jobs. The OECD has reported on a range of research findings to show that workers with mental illness are more likely to experience dismissal or resignation (OECD 2012, p. 67). This may relate to reluctance to disclose mental illness to employers; lack of management skills to reduce work-related stress; and higher levels of both absenteeism and presenteeism (that is, inability to complete tasks) of workers.

Australia has developed substantial initiatives that seek to address stigma experienced by those with mental illness through awareness-raising programs (for example, Beyond Blue; Incolink's Life Care program) and workplace safety and employer guidance manuals. Early intervention to encourage and support a return to work requires supportive employers, but the OECD (2012) highlights the importance of general practitioners and the broader health system in motivating patients to consider an early return to work, encouraging disclosure to employers and supporting work responsibilities that reduce the risk of job strain.

Job creation

Fundamental to the social and economic participation of working-age people with mental illness is a strong economy with sufficient jobs growth to absorb the number of unemployed and underemployed workers. Getting the macro-economic levers right is important, but stimulation of jobs in adequate numbers also requires ongoing investment in major infrastructure projects that smooth out the economic cycle and lead to long-term jobs growth in emerging industries and sectors. This is a critical role for the Victorian Government.

As we have seen over the last prolonged period of economic growth, there has been a stubborn level of long-term unemployed and underemployed working-age Victorians. There are significant costs to Victoria, through loss of productivity and increased use of health and welfare services, in having a pool of people excluded from decent paid work.

Several policy levers have proved effective in creating job opportunities for unemployed and disengaged Victorians, particularly those living in communities or regions with higher levels of unemployment or social exclusion. For example, social procurement has enabled the Brotherhood to run a successful community enterprise, the Community Contact Service, to provide supported employment opportunities for public housing residents in the City of Yarra. The contract with the Office of Housing enables the delivery of an integrated ILM model aimed at residents who would otherwise be excluded from the labour market.

The inclusion of social procurement clauses in state and local government contracts provides a vital pathway for disadvantaged jobseekers to be taken on by mainstream employers in partnership with support services. The Victorian Government has been proactive in this area, through the Public Tenancy Employment Program and the development of social procurement guidelines. The Brotherhood believes there is considerable scope to expand the coverage of social procurement provisions across government and private businesses.

Make work pay provisions

Recent Brotherhood research with disadvantaged groups in Melbourne found significant disincentives to either taking up paid work or seeking extra hours (Bodsworth 2010). These people face a range of disincentives to workforce participation relating to housing policy, income support entitlements, poor understanding of the financial implications of paid work, poor foundational skills, inadequate access to basic resources (e.g. computers and internet; transport; affordable childcare).

Those receiving housing assistance (social housing tenants and clients of specialist homeless services) face disincentives to workforce participation in the following ways:

- **Allocation policy:** Applicants on social housing waiting lists are restricted in taking up paid work due to its impact on their eligibility; and the long waiting periods plus the instability of transitional housing deter job search activities

- **Tenancy-linked exclusion:** High-density public housing and locational disadvantage may limit engagement with universal services and prevent economic participation due to the stigma associated with their housing and/or the lack of jobs in regional areas

- **Rebated rent rules for tenants:** Calculation of rebated rent is based on household size and earned income with reviews conducted biannually, thereby adding to financial disincentives to take up paid work or additional hours

- **Restrictions on tenant transfers:** Tenants who seek to move to take up training or work opportunities face restrictions through the public housing transfer process and through Centrelink rules on moving to areas of higher unemployment

- **Financial disincentives:** Both tenants and applicants face financial disincentives to take up work or increase hours through loss of income support entitlements (allowance withdrawal rates, working credits, loss of concessions) and access to childcare

- **Limited understanding by tenants of the financial impact of paid work:** Tenant understandings of the costs and benefits of paid employment might be further strengthened through financial inclusion measures (such as the rent calculator)

- **Priority placed on public housing entry by SHS providers:** Anecdotal evidence indicates that SHS workers prioritise applications made be their clients for public housing as a matter of course. This path may not be in the best interests of all their clients

- **Education and foundational skill needs of tenants:** The foundational or soft skills of tenants may be poor and they may require flexible, intensive forms of learning to build basic skills. Particular groups may be poorly motivated and have limited insight into training and work opportunities

The disincentives outlined above show the importance of having a more coherent set of policies that address the intersection between housing assistance, health support and labour market programs to encourage and support a participation in paid employment.

Summary points

Based on our assessment, the Victorian and Commonwealth governments should place a higher priority on a coherent policy action plan to resource and deliver more effective interventions on both the supply *and* demand sides of the labour market to lift participation levels.

Responsive mainstream health services play a critical role in the recovery and rehabilitation of workers who experience mental illness. A stronger return-to-work focus that assists employees to retain their job with more supportive and flexible arrangements is suggested. This requires education and skills development to enable employers to adopt supportive practices, designed to take into account the emerging knowledge and service-based economy.

Over half (54 per cent) of Australians with a long-term health condition or disability experience social exclusion. One in seven (2008 HILDA data) experiences deep exclusion, facing multiple barriers to social and economic participation (Horn et al. 2011). The multidimensional nature of exclusion requires well integrated models of assistance that offer a line of sight to paid work where possible. Despite recent reforms, the current mainstream service system, Job Services Australia, while reasonably effective in helping 'job ready' unemployed individuals into work, continues to fail a large number of Victorians with mental health issues.

While the Commonwealth Government has primary responsibility for income support and employment assistance, the costs of the high level of labour underutilisation through lost productivity and increased expenditure on health and welfare services are borne by state governments. There is thus a critical role for the Victorian Government to drive reform to universal services, based on the emerging evidence base on more effective interventions, through assertive advocacy to the Commonwealth.

At the state level, we recommend an *Action plan* with investment in targeted interventions to:

- **address job seeker disincentives to taking up work (make work pay provisions)**

- **encourage employer hiring of disadvantaged jobseekers (workforce diversity measures)**

- **support employer retention of workers who experience mental illness**

- **stimulate job opportunities for disadvantaged jobseekers through social procurement policies**

- **further develop time-limited job subsidy models aimed at jobseekers with barriers to open employment (building on the New Workforce Participation approach).**

4 Specific matters

In this section we highlight three key areas relevant to the inquiry: young people in their transition from school to employment, the IPS approach and the role of social enterprises in supporting people with mental health issues in employment.

Young people, work and learning

The issue

The Brotherhood's research and evaluation supports a much stronger focus on improving school completion rates and strengthening the transition into paid work by young people experiencing disadvantage. In recent submissions to government, we have called for reforms to education policy that would increase engagement or re-engagement in learning by those with learning difficulties, health issues, social exclusion barriers or limited family support.

We support the recent measures to strengthen the capacity within schools, through better leadership, professional development of teachers and improving the quality of state school facilities. However, these changes by themselves are insufficient to overcome the barriers to learning faced by many students. Our research with disadvantaged families has shown the impact of financial hardship on school attendance (Bond 2009; Bond & Horn 2009). Mental illness and related antisocial behaviours of students are clearly significant factors affecting attainment.

More than 75 per cent of all severe mental health and substance use problems commence before the age of 25, with the first episode of serious mental illness most likely to occur in the period from 16 to 25 years (Victorian Mental Health Reform Strategy 2009–2019, cited in Department of Education and Early Childhood Development 2011).

Learning difficulties and antisocial behaviour at school may signal the onset of serious mental illness. Yet too many schools lack the resources to respond appropriately—rather, they rely on 'managing' these students through suspensions, unplanned departures or transfers.

The Brotherhood has called for substantial change to the raft of support services for students and young people, recommending consolidation of programs into a well-coordinated Student Development Service (BSL 2008, 2010a). This would result in increased efficiency, better integration and improved outcomes through a client-centred support model that allocates additional resources to students with assessed learning or participation barriers. There is a strong body of evidence in support of early intervention to overcome risk factors to learning (for example, Rice &

Lamb 2008; KPMG 2009). More complete assessment of students when they first start school should flag those at risk of disengagement so they can be funded to access responsive support services, including specialist health and welfare, as well as alternative flexible learning.

> For those recovering from acute mental illness, the principle of *place and support* should guide the re-engagement of young people into education and training.

Our evidence

Recognising the importance of successful youth transitions for economic participation, BSL has developed a Community VCAL in Frankston and delivers Youth Connections in the Mornington Peninsula region. Both services work with disengaged and excluded students. Although many of these clients have multiple barriers to engagement and re-engagement in learning, mental health issues are commonplace. Using Peninsula Youth Connections (PYC) as a case study, one-quarter of the 778 young people referred had a suspected or diagnosed mental health issue, rising to 32 per cent of those who joined the program(BSL PYC unpublished data); and this is likely to be an underestimate due to some young people's reluctance to disclose. The average age of clients with a reported mental health issue was 15.7 years. This group were less likely to have completed Year 10 and more likely to have no source of income when referred.

The complex situation of PYC clients and the typical service response was summarised by a staff member as part of the current evaluation:

> If they've substance use problems and they've got mental health issues and they're homeless, I'm not going to link them into an educational program first. I'd try and address those other issues—looking at getting them off the streets or couch-surfing, linking them in with a psychologist, going with them to their Headspace appointment, making them comfortable about going on their own, linking them in with a drug and alcohol worker. You can't get someone into education if they've got so much going on. They're not ready. (Bond 2011, p. 14)

PYC is fundamentally a case management service model that aims to re-engage young people in positive pathways. We believe that this approach is proving to be highly effective, as the following case study of successful re-engagement shows.

> Zoe stopped attending school in Year 7 and after one term was identified as a 'school refuser' and referred to Peninsula Youth Connections. Bullying was one of the main issues underlying her anxiety about school attendance. Her mother made several attempts to contact the school to arrange an interview but messages were not passed on to the appropriate person.
>
> The PYC case manager visited Zoe at her home where they completed self-esteem building exercises and discussed strategies to address bullying. After several visits, the case manager set up a meeting with Zoe's mum and the school. The case manager described the school as 'really supportive' and 'flexible'.
>
> Fortunately the school had a chaplain, who was able to visit Zoe at her home. They discussed Zoe changing to another class to be with friends and changing her learning plan with a reduced timetable so that she could reconnect with school gradually.
>
> This case study suggests that terms such as 'school refuser' can disguise a range of individual (student-based) and systemic (school-based) issues in relation to school participation. In this case re-engagement was achieved through intensive work with Zoe by both the case manager and the chaplain, as well flexibility in relation to school structures.' (Bond 2011, p. 38)

Zoe's situation illustrates the current systemic failures within mainstream schools that allow too many young people to be 'managed out' or to drop out of education. While the kind of support provided by Youth Connections and alternative learning will always be needed, a better integrated and resourced Student Development Service could prevent disengagement in the first place.

The onset of mental illness is a barrier to attendance and attainment. Youth professionals in our evaluation of PYC suggested that depression, anxiety and other conditions had increased in prevalence, and had become key factors among 'school refusers'. One explained: 'I've had conversations with parents this year, where their child has suffered from anxiety since grade six; they're now in grade eight and they've never attended a day of school' (Bond 2011, p. 21). The need for early diagnosis and treatment was highlighted, but service demand exceeded supply.

Youth professionals also observed that some young people lacked support and encouragement at home, even through simple verbal affirmations, such as 'Good job'. Likewise, difficulties at school led to negative rather than positive feedback. Interviewees observed young people's need for—and absence of—opportunities to achieve success, whether through recreational activities or in school. These unmet needs were also linked to increasing rates of mental illness such as anxiety and depression. Once again, the multidimensional nature of exclusion is critical: family financial hardship or lack of parental engagement can result in non-participation in school outings, trips or recreational activities which may compound a sense of exclusion and exacerbate mental health issues.

In Caroline Springs, the Brotherhood has been delivering the Youth Employment Project (YEP) funded through New Workforce Partnerships over the past 18 months. YEP aimed to provide a pathway to local employers seeking trainees or entry-level workers. The evaluation has found that the integrated service approach has delivered positive pathways for 70 per cent of participants: 43% paid work; 15% training and 12% returned to school.

One of the key findings has been the higher demand from 15 to 17-year-olds in the local community (Caroline Springs and Melton) than had been anticipated. This underlines the importance of targeted, place-based initiatives and resources in growth corridors and new suburbs to prevent student disengagement from learning.

A key component introduced to meet the needs of the young participants in Caroline Springs YEP was an information session delivered by the local health service, about how to recognise the symptoms of mental health problems and how to obtain assistance. Within a supportive adult environment, this approach proved effective, leading to several subsequent referrals for assistance (Bodsworth forthcoming).

In Frankston, the Brotherhood is delivering CVCAL to 50 disengaged young people. Our evaluation has shown the effectiveness of this flexible learning model, which is part-funded as a trial by a generous philanthropic trust. Attendance rates and completion of courses have been high considering the multiple barriers and past experiences of this cohort (Myconos 2011).

From these innovative services, we point to the following key elements for a more effective intervention that would enable vulnerable young students to re-enter structured learning:

- flexible learning models that take into account individual student experiences and learning barriers
- professional development and support for teachers to respond to mental health issues

- responsive student welfare support, coordinated with teachers

- community-based alternative learning options, including learning support programs and CVCAL

- full assessment of students to determine risk factors for disengagement

- adequate resourcing of health, welfare and alternative learning services to reduce the probability of student disengagement or suspension.

Ways forward

- The most efficient policy response is for governments to invest more in mainstream education to implement strategies to identify all risk factors, including social exclusion factors, and to allocate additional resources to individuals based on the extent of risk. BSL therefore urges the Victorian Government to advocate strongly to the Commonwealth, following the release of the Gonski Review of school funding, for increased funding for disadvantaged students through an adequate resource standard and disability entitlement.

- BSL recommends further review of the array of student and youth support services, with the objective of consolidation into a Student Development Service that sits alongside school and training teaching staff and is linked to community services, including specialist health services.

- BSL further recommends that the Victorian Government build on the growing expertise and momentum within the community for flexible alternative learning approaches that offer effective re-engagement pathways. Specifically, we urge:
  - reinstatement of the funding of coordinator support to CVCAL providers
  - funding of community-based learning support programs.

Individual Placement and Support

The issue

The Individual Placement and Support (IPS) approach is a well-documented, evidence-based approach to supported employment for people with severe mental illness. Developed in the United States at the Dartmouth Psychiatric Research Center, IPS is based on the following principles:

- Rehabilitation is considered an integral component of mental health treatment rather than a separate service.

- The goal is competitive employment in community settings.

- Consumers are expected to obtain jobs directly, rather than following lengthy pre-employment training.

- Vocational rehabilitation services are continuous and based in real work experiences, rather than in sheltered settings.

- Follow-along supports are continued indefinitely.

- Services are based on consumers' preferences and choices, rather than providers' judgments (Bond et al. 2001, p. 384).

IPS aims to provide ongoing support for those people with mental illness who want to work. Employment is seen as a key part of more effective rehabilitation. The approach is to place and

support rather than to 'prepare and place'. Key elements include strong relationships with employers and potential employers, sensitivity to disclosure and stigma and ongoing personalised support.

Following our evaluation (Perkins 2007) of the Commonwealth program to assist disadvantaged jobseekers, the Personal Support Programme (PSP), BSL decided to examine the IPS model in more detail. We devised a qualitative project to identify the practice, program and policy lessons of adapting and implementing the approach within an employment assistance setting.

The IPS project was conducted in the first six months of 2009 with partner Employment Focus, an employment service provider under the Job Network in the north-eastern suburbs of Melbourne. It was supported by funding from the Leith Trust and the William Buckland Philanthropic Trust.

The project made two major adaptations to the IPS approach. First, rather than providing employment services within a community mental health context, it provided mental health support within an employment context. Second, it expanded the IPS model to include people with multiple barriers to employment, rather than focusing only on mental health issues.

Our evidence

Providing such services within the constraints of existing employment services for disadvantaged jobseekers proved not to be viable, given the strict contractual requirements which worked against innovation and flexibility. We subsequently undertook a brief trial of the provision of mental health services within the BSL's Work and Learning Centre in Yarra. Our research confirms the need for well-coordinated approaches to supporting jobseekers with mental health issues. Further, we found that the contractual obligations constrain individualised support. For example, in the IPS study the employment services agency was bound by contract requirements under Job Network and PSP which limited the implementation of several key elements of the IPS approach, particularly outreach; offering service on a voluntary basis; and requiring the employment specialist to undertake all aspects of work (i.e. job development, direct client engagement and post-placement support).

The study also highlighted issues around disclosure. Support in employment is vital to ensure that disadvantaged jobseekers get jobs and keep them, but it requires the worker's consent. It was difficult to provide support to the participants or the employers, as the individuals preferred not to disclose their condition to their employer lest they be stigmatised or compromise their employment. The IPS adaptation pilot highlighted the importance of raising awareness about disclosure with employers and people with mental health issues.

Strong relationships with employers are another vital component of the IPS approach. Employers needed clear information about the role of the IPS service, the nature and extent of support, and how disadvantaged jobseekers could fit available vacancies. Time, training and resources are needed to effectively engage with employers. Employers may require support in adapting jobs to meet the needs of people with multiple barriers including mental health issues.

The IPS approach is well tested within mental health services. For people with severe mental health issues, it can provide a path back to employment as part of the recovery process. Our research suggests that there is much to be learned from this approach. But adequate resources and case worker skills are essential to provide a more integrated and personalised form of assistance for people with mental health issues. Policies, contract management and accountability provisions are required that enable 'black box' service delivery with greater flexibility, collaboration and responsiveness to individual needs.

Ways forward

- Support IPS approaches within mental health as part of rehabilitation.

- Further develop strategies in support of a return to work through general practitioners.

- Provide advice for employees with mental health issues about disclosure, coupled with advocacy and support to address employer discrimination.

- Continue to raise awareness of mental health issues in the community, especially among employers, to overcome stigma and discrimination.

- Support the return to work, job retention, and reduce work-related stressors, by developing employer and line manager skills and resources through enhanced workplace practice principles and guidelines.

- Advocate changes to the JSA system to better support the needs of people with mental disorders, through investment in more intensive, better integrated models.

Social enterprises

The issue

The organic growth of social and community enterprises over the past decade has to some extent filled a gap in assistance by building a pathway to social and economic participation for a wide range of people from disadvantaged backgrounds in local communities. Increasing attention has been paid in Australia to the social economy, acknowledging the role played by social enterprises in strengthening social inclusion and community integration. The Victorian Government funded the Brotherhood to undertake the Community Enterprise Development Initiative to develop and test an approach to support the growth of enterprises focused on neighbourhood renewal areas (Bond 2008). This led to the creation of Social Traders to continue to support the development of viable enterprises. At a national level, the Commonwealth Government has recently resourced the Social Enterprise and Development Investment Fund (SEDIF) as a vehicle to stimulate the seed funding of new enterprises. This is a good start but more needs to be done to support enterprises, particularly those with an employment goal.

Many social enterprises aim to assist working-age Australians into paid work either through transitional or permanent employment. Not-for-profit organisations may adopt the intermediate labour market (ILM) model to provide individualised support to highly disadvantaged groups through either transitional employment (often as a trainee) or direct placement with mainstream employers. A social enterprise provides a more flexible and supportive working environment that takes into account the capabilities and circumstances of each worker. Most enterprises rely on additional one-off funding from grants or on government subsidies to break even. Larger organisations may cross-subsidise their enterprises through fundraising or profits from other ventures.

Our evidence

The ILM approach has been found to provide an effective pathway to employment for disadvantaged jobseekers (Finn & Simmonds 2003; Marshall & Macfarlane 2000). The evidence in support of Intermediate Labour Market (ILM) approaches is strong in terms of higher outcome rates (BSL 2011; Mestan & Scutella 2007; Bodsworth forthcoming). On average, BSL has achieved a 65 per cent job placement rate over the past five years across five enterprises (BSL unpublished data). Our research,

albeit at a small scale, suggests that this approach pays social and economic dividends—with a '$14 return for every $1 invested in these programs' (Mestan & Scutella 2007).

Our concern with the JSA job placement model is that it does not match disadvantaged jobseekers to a real job that has a reasonable prospect of being sustained. Despite the positive changes to the former Job Network, our evidence shows that this group fare poorly in the JSA, with progression into Work Experience phase or drop out from the labour force the most likely outcomes. The levels of training and job churn also indicate the inadequacy of current employment assistance in achieving sustainable job pathways. The JSA model still rations the level of support given to those with least prospect of a paying outcome for providers. Businesses can be expected to recruit the 'job ready' who meet minimum standards of productivity.

Social enterprises therefore provide a vital opportunity for those who do not meet the levels of functional capabilities or productivity required by mainstream employers. Enterprises that aim to give transitional or permanent paid work must be considered as a key part of an integrated suite of employment pathways.

However, both here and overseas, social enterprises which offer employment pathways for highly disadvantaged jobseekers struggle to be financially self-sufficient, that is to earn enough trading income to break even (see for example, O'Connor et al 2012). This is invariably due to the productivity discount in running the business due to planned high turnover of employees (as trainees); their lower initial productivity; higher levels of supervision; and higher absenteeism rates. The higher the social return sought, the less likely a profit will be achieved (Horn 2011).

The critical policy question is what level of financial assistance—in effect a job subsidy—is necessary to provide a sound base for financial viability of social enterprises that deliver value for money in the longer term to the community? Indicative cost–benefit analysis supports a case for a reasonable level of funding to offset the productivity discount. This is because the alternative for many of this group is to stay on benefits for an extended period, consuming increased but ineffectual Work Experience (JSA) resources as well as health and welfare dollars. However, more cost–benefit modelling of scaled-up demonstrations is required to strengthen this argument.

Ways forward

- The Brotherhood has called for further reform to the JSA system that would enable the expansion of viable social enterprises as a key path into paid work for highly disadvantaged jobseekers (Stream 4 and Work Experience phase). We suggest there is a key role for the Victorian Government to advocate strongly to the federal government to review active labour market policy so as to enable better integrated assistance using the ILM approach through mainstream employers and social enterprises. An 'off-benefits' model using income support payments and employment assistance entitlements would deliver better value for money in the longer term for governments and the community.

- At the state level, we recommend consideration of additional measures building on recent social procurement initiatives, to increase the numbers of transitional and supported work opportunities available to working age Victorians with mental illness.

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