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**DATE:** Monday 22 December 2003

**SUBJECT:** **Issue with the labour force participation rate of people with a disability in 2001 reported by the Productivity Commission**

1. The Productivity Commission invites the public to comment on the Draft Report on the Review of the *Disability Discrimination Act 1992*, which examines the progress made under the Act over the past decade and explores ways to improve its effectiveness.
2. The Commission concedes that it is difficult to measure how well the Disability Discrimination Act (DDA) has achieved its main object of eliminating discrimination against persons on the grounds of disability. This is because:
  - “it is hard to untangle the effects of the DDA from other influences” such as, demographic, medical, technological, legislative, disability policy and service delivery developments, changes and/or improvements; and
  - “there is no single direct measure of discrimination”. Measures include, outcomes for people with disability, indicators of accessibility, the number of complaints made under the DDA and the results of these complaints.<sup>1</sup>
3. Against that background, the Commission found in the area of employment that, “the DDA appears to have been *least effective* in reducing discrimination in employment”. Consequently, “disability discrimination in employment remains a significant issue”.<sup>2</sup> The importance of this issue lies in the fact that one’s overall wellbeing and economic and social standing in society is intrinsically linked to having paid work.
4. The Commission concluded that people with disability have poorer employment outcomes than people without disability, and that this appears to have persisted over time.<sup>3</sup> The Commission stated that disability discrimination is just one possible source of these differentials<sup>4</sup> and that disability discrimination in employment has

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<sup>1</sup> Page XXX.

<sup>2</sup> Page XXXI, XXXIX and XLIII (emphasis added).

<sup>3</sup> Page 82, 89.

<sup>4</sup> Page 84.

consistently accounted for the largest proportion of complaints made under the DDA (52 per cent in 2001-2002).<sup>5</sup>

- As noted by the Commission, research conducted by the Australian Bureau of Statistics (ABS) in 1998<sup>6</sup> shows that people without disability are considerably more likely to be in the labour force than people with disability, a difference of almost 27 percentage points (80.1%, compared with 53.2%, respectively).<sup>7</sup> Compared with people without disability, people with disability are considerably less likely to have a job (41.7%), are slightly more likely to be unemployed (11.5%) and are more than twice as likely to be not in the labour force (46.8%).

- I support the Commission's overall finding on the inferior labour force outcomes of people with disability. I am *reluctant*, however, to accept the Commission's finding that the labour force participation rate of people with disability has "slightly increased" between 1998 and 2001.<sup>8</sup> Indeed, the Draft Report indicates that the labour force participation rate of people with disability increased, albeit marginally, by 1.4% to 54.6% in 2001 (see table below, reproduced from Appendix A Eliminating discrimination in work, page 5).

**Table A.1 Labour force participation and unemployment rates of people<sup>a</sup> with a disability—1988, 1993, 1998, 2001**

	<i>People with disabilities</i>				<i>People without a disability</i>			
	1988	1993	1998	2001 <sup>b</sup>	1988	1993	1998	2001 <sup>b</sup>
	%	%	%	%	%	%	%	%
Labour force participation rate	51.5	54.9	53.2	54.6	75.3	76.9	80.1	79.8
Unemployment rate	11.5	17.8	11.5	10.6	8.1	12.0	7.8	6.1

<sup>a</sup> Persons aged 15–64 years living in households. <sup>b</sup> Productivity Commission estimate based on the 2001 Household Income and Labour Dynamics Australia (HILDA) survey.

Sources: ABS, cat. no. 4430.0 (various issues); 2001 Household Income and Labour Dynamics Australia (HILDA) survey.

- I note the Commission has used ABS survey data for 1998 and Household, Income and Labour Dynamics Australia (HILDA) survey data for 2001<sup>9</sup>, that these surveys are not strictly comparable in their definition of disability, and that the HILDA estimate is only indicative. Unlike the Commission's write-up on the "Trends in the incidence of disability" in Chapter 3 of the Draft Report, it is unclear, however, from this report or Appendix A whether the HILDA estimate has been adjusted to take

<sup>5</sup> Page 77-78.

<sup>6</sup> That is, the Survey of Disabilities, Ageing and Carers (SDAC).

<sup>7</sup> Page 39.

<sup>8</sup> Appendix A Eliminating discrimination in work, page 6.

<sup>9</sup> The HILDA Survey is a longitudinal survey of Australian households carried out for the Commonwealth Department of Family and Community Services between August 2001 and January 2002.

account of those living in non-private dwellings or institutions (6,552 in September 2001).<sup>10</sup>

7. That said, as a user of the HILDA dataset,<sup>11</sup> my *reluctance* to accept that the labour force participation rate of people with disability has “slightly increased” between 1998 and 2001 essentially stems from knowing that the population of people in receipt of disability support pension<sup>12</sup> (623,877 in September 2001)<sup>13</sup> is considerably under-represented in the HILDA survey by 61,543 persons (9.9%). They are a large group which is known to experience significant labour force disadvantage or be outside the labour force. To this end, I would contend that the HILDA estimate reported by the Commission overstates the labour force participation rate of all people with disability.
8. As you will see, by repeating the same statistical exercise as the Commission (see Table 1 over the page), the labour force participation data I have produced from the HILDA dataset are different to the findings reported by the Commission. The Commission reported that, in 2001, the labour force participation rate of people with disability was 54.6%, whereas I obtained a lower labour force participation rate of 52.6%. This variation is most likely to be the result of differences in statistical programming.
9. Without adjusting the HILDA data to take account of the shortfall in disability support pension recipient numbers, my findings suggest a steady downward trend in the labour force participation of people with disability since 1993. Interestingly, this trend is consistent with the known decline in the employment of people with disability in the Australian Public Service over the past decade (see my submission, no. 209 for more details).
10. With having adjusted the HILDA data to take account of the shortfall in disability support pension recipient numbers, Table 2 shows that, in 2001, the labour force participation rate of all people with disability was 51.29%, the lowest since the introduction of the DDA in 1992 (see page 5 of this submission). It would appear therefore that the DDA in its present form is *not* sufficiently equipped to combat disability discrimination in employment. For this reason, I support any measure that seeks to strengthen those provisions in the DDA related to the employment of people with disability.
11. Given my concerns about the under-representation of disability support pensioners in the HILDA survey and the differences in opinion the Commission and I have about the changes in the labour force participation rate of people with disability over the past decade, I consider these matters important enough for the Commission to revisit the relevant sections of its Draft Report, including Appendix A.

<sup>10</sup> Centrelink data. The September 2001 figure has been chosen as it coincides with when HILDA survey respondents were first interviewed.

<sup>11</sup> See my research paper, “Youth in Focus: Interaction between educational participation, educational attainment and labour force activity”, available at: <http://www.melbourneinstitute.com/hilda/youth-w1.pdf>.

<sup>12</sup> Disability support pension is paid to people who are unable to work for at least 30 hours per week, or be re-skilled for such work, for more than two years because of a disability.

<sup>13</sup> Centrelink data. The figure excludes disability support pensioners living in institutions.

**Table 1: Rates of participation in labour force activity, by disability status, Australian working age population 15 to 64 years, 2001**

LABOUR FORCE ACTIVITY	AUSTRALIAN WORKING AGE POPULATION 15 TO 64 YEARS (%)				
	PEOPLE WITH DISABILITY*			PEOPLE WITHOUT DISABILITY	TOTAL POPULATION
	DSP	OTHER	ALL		
<b>% of total population</b>	4.35	13.38	17.73	82.27	100.0
<b>Employed</b>	<b>11.83</b>	<b>58.43</b>	<b>47.00</b>	<b>75.04</b>	<b>70.06</b>
<i>Working full-time</i>	3.01	41.26	31.88	53.35	49.54
<i>Working part-time</i>	8.82	17.17	15.12	21.69	20.52
<b>Unemployed</b>	<b>3.72</b>	<b>6.22</b>	<b>5.61</b>	<b>4.92</b>	<b>5.04</b>
<i>Looking for full-time work</i>	2.10	4.69	4.05	3.42	3.54
<i>Looking for part-time work</i>	1.62	1.53	1.55	1.50	1.51
<b>Not in the labour force</b>	<b>84.45</b>	<b>35.35</b>	<b>47.39</b>	<b>20.04</b>	<b>24.89</b>
<i>Marginally attached</i>	9.76	10.70	10.47	8.17	8.58
<i>Not marginally attached</i>	74.69	24.65	36.92	11.88	16.32
<b>Employment rate</b>	11.83	58.43	47.00	75.04	70.06
<b>Unemployment rate</b>	23.92	9.62	10.66	6.15	6.71
<b>Labour force participation rate</b>	15.55	64.65	52.61	79.96	75.1
<b>Survey population (N=)</b>	538	1,637	2,175	9,745	11,920
<b>Weighted population</b>	562,334	1,729,952	2,292,287	10,636,784	12,929,071
Source: HILDA Survey, Wave 1 dataset, published October 2002. <sup>14</sup>					
* Figures have not been adjusted to take account of people with disability living in institutions.					

<sup>14</sup> Statistical code (SAS) used:

Working age population 15 to 64 years: if (ahgage gt 14) and (ahgage lt 65); (i.e. respondents who are greater than 14 years but are less than 65 years).

Disability support pensioners: abncdsp=1; (i.e. respondents who receive a disability support pension)

All people with disability: if ahglth=1 or abncdsp=1; (i.e. respondents who have a health condition or receive a disability support pension).

People with disability (other than DSP): if ahglth=1 and abncdsp ne 1; (i.e. respondents who have a health condition and do not receive a disability support pension).

People without disability: if ahglth ne 1; (i.e. respondents who do not have a health condition).

Labour force participation variable: AESDTL (values 1, 2, 3, 4, 5, 6).

Weight variable: AHHWTRP.

**Table 2: Adjusted rates of participation in labour force activity, by disability status, Australian working age population 15 to 64 years, 2001**

LABOUR FORCE ACTIVITY	AUSTRALIAN WORKING AGE POPULATION 15 TO 64 YEARS (%)				
	PEOPLE WITH DISABILITY*			PEOPLE WITHOUT DISABILITY	TOTAL POPULATION
	DSP	OTHER	ALL#		
<b>% of total population</b>	4.35	13.38	17.73	82.27	100.0
<b>Employed</b>	<b>11.83</b>	<b>58.43</b>	<b>45.75</b>	<b>75.04</b>	<b>69.85</b>
<i>Working full-time</i>	3.01	41.26	30.85	53.35	49.36
<i>Working part-time</i>	8.82	17.17	14.90	21.69	20.49
<b>Unemployed</b>	<b>3.72</b>	<b>6.22</b>	<b>5.54</b>	<b>4.92</b>	<b>5.03</b>
<i>Looking for full-time work</i>	2.10	4.69	3.99	3.42	3.52
<i>Looking for part-time work</i>	1.62	1.53	1.55	1.50	1.51
<b>Not in the labour force</b>	<b>84.45</b>	<b>35.35</b>	<b>48.71</b>	<b>20.04</b>	<b>25.13</b>
<i>Marginally attached</i>	9.76	10.70	10.44	8.17	8.57
<i>Not marginally attached</i>	74.69	24.65	38.27	11.88	16.56
<b>Employment rate</b>	11.83	58.43	47.75	75.04	69.85
<b>Unemployment rate</b>	23.92	9.62	10.80	6.15	6.71
<b>Labour force participation rate</b>	15.55	64.65	51.29	79.96	74.88
<b>Survey population (N=)</b>	-	-	2,175	9,745	11,920
<b>Weighted population</b>	623,877	1,668,409	2,292,287	10,636,784	12,929,071
<p><u>Source:</u> HILDA Survey, Wave 1 dataset, published October 2002.</p> <p>* Figures have not been adjusted to take account of people with disability living in institutions.</p> <p># Figures have been adjusted to take account of the shortfall in disability support pensioner numbers (excludes those living in institutions).</p> <p><u>Assumptions used:</u></p> <ul style="list-style-type: none"> <li>• The weighted population of respondents in the 'All' group of people with disability is correct.</li> <li>• The additional 61,543 disability support pensioners, which account for the shortfall in this group, had the same participation patterns as disability support pensioner respondents.</li> <li>• The population removed from the 'Other' disability group (61,543) had the same participation patterns as disability support pensioner respondents.</li> <li>• The remaining weighted population in the 'Other' disability group had the same participation patterns as those in the original group.</li> </ul>					