

LIES & STATISTICS

It is easy to fudge a low unemployment rate, writes **Peter Saunders**.

In a recent article in the *AFR* (Opinion, July 28) I argued that to get unemployment down we should cut income taxes, lower the minimum wage and reform welfare. The next day, Andrew McCallum, president of the Australian Council of Social Service, pointed out that Sweden and the Netherlands have high minimum wages and generous welfare systems, yet both have unemployment lower than ours.

So have the Swedes and Dutch proved me wrong? McCallum was certainly right about the numbers. Unemployment in Sweden is 5.4 per cent, and in the Netherlands is below 4 per cent. Australian unemployment, by contrast, is 6 per cent. But this is only half the story. Statistics from the Organisation for Economic Co-operation and Development also show Scandinavia and Holland have remarkably high rates of people on disability benefits. Could it be their low unemployment has been achieved simply by redefining people as disabled?

The number of disability benefit claimants has swollen in every western country in the past 20 years. In Australia, the proportion of the working-age population claiming the Disability Support Pension has grown from 2 to 5 per cent since 1980. The typical claimant today is male, over 50, and diagnosed with a "musculo-skeletal" (bad back) or "psychological/psychiatric" condition. Half come straight from the unemployment rolls.

In the Netherlands and Scandinavia, this drift from unemployment to disability has gone much further. In Sweden and Denmark, 8 per cent of working-age adults are receiving disability benefits; in Norway and the Netherlands it is 9 per cent. Either the level of health and fitness in the world's most generous welfare states is declining alarmingly, or large numbers of their unemployed workers have simply been reclassified as permanently disabled.

If we add the disability benefit figures to the unemployment figures, the US comes lowest with 10 per cent, then Australia and Britain with 11 per cent. The Dutch and Scandinavians fall back in the European pack, with the French and the Germans, at 13 or 14 per cent. Clearly I was justified in arguing that the "Anglo" countries have stronger employment records than the European welfare states.

But don't let's be complacent. There are 630,000 Australians on the Disability Pension. Some have major impairments, but many could and should be working. The problem is our welfare system creates a strong incentive for the unemployed to get reclassified as "disabled", with higher payments and exemption from "mutual obligation" requirements. To counter this, we need tighter eligibility rules, but the government's attempt to tighten up has been blocked in the Senate.

Reform in this area is a political minefield. Most voters assume "disability" means serious incapacity, and this makes it easy for opponents to whip up public emotions. But if we don't make changes, we could end up like the Scandinavians with nearly one in 10 working-age adults on disability benefits. I don't believe even Andrew McCallum wants that.

Peter Saunders is the director of social policy research at the Centre for Independent Studies.