



BROTHERHOOD  
of St LAURENCE

# A safety net that helps build fulfilling lives

**An overview of the thinking of the Brotherhood of St Laurence**  
for the Reference Group on Welfare Reform

January 2000

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The Reference Group on Welfare Reform has agreed to provide strategies to the Government that 'reduce or prevent welfare dependency': that is, strategies that will reduce the extent to which Australians of work force age have to rely upon the income security system.

The Brotherhood of St Laurence submits that the Reference Group can best assist the Government by reporting in five major areas.

## **1 • Direct social security reform to achievable ends**

The number of people dependent upon income support payments is mainly explained by Australia's failure to generate sufficient full-time jobs to keep up with the increase in the work force age population.

- We have a labour market that discards those with the skills it does not need.
- We have a social security system which is targeted to those who have had little success in the labour market.
- We have a growing fraction of the population in the labour force.
- And we have not been generating enough full-time jobs to employ those additional work force age people who want to work to their full capacity.

The Brotherhood believes that governments can and should do more to address unemployment and underemployment.

Equally, we are firmly committed to efforts to enhance individuals' employability through providing good quality and structured employment assistance.

But in the absence of significantly higher and sustained jobs growth than Australia has actually achieved over recent years, policies aiming to reduce total numbers of people on income support payments, by shifting large numbers of people 'from welfare to work', are doomed to failure.

If the Government continues to see numbers on income support payments as a failure of the social security system, then there is a real risk that harmful strategies will be adopted, strategies such as:

- lower levels of income support;
- reduced access to income support; or
- lower levels of pay when people gain a job.

These strategies will produce higher poverty, particularly among partly-employed households, and shift costs off government onto individuals in ways which are highly unfair and will exacerbate their difficulties, not assist them.

## **2 • Set the right goal for reform of the income support 'safety net'**

Increases or decreases in the need within the population for income support will mainly be driven by the extent of jobs growth. Assuming past trends continue, the goal adopted by the Government should therefore be to:

*shape the income support system so that, at least for the medium term, it accepts and supports people in finding combinations of work and social security that reduce the likelihood that they live in poverty and which help them build comfortable and fulfilling lives, encouraging autonomy and avoiding humiliation.*

Seeing work and income support as mutually exclusive categories is not the basis of a modern welfare system. It is a regression to an older view of social security which is long outdated, as the Government itself recognised in the creation of the Youth Allowance.

## **3 • Build strategies for income support that address the reality for lower-income households**

For many people in Australia, work continues to provide significant monetary rewards and a quite high degree of security. But for a growing fraction, work is much less secure and a far more uncertain pathway out of poverty. It is more likely to be intermittent, gained only on a casual basis, and constructed around an expectation that neither employer nor employee have much commitment to their joint enterprise.

While the delayed entry to the labour market and youth unemployment, on the one hand, and long-term unemployment and early retirement among older workers, on the other, are well-known symptoms of lack of jobs, this also affects

prime working age adults whose skills and experience are no longer of any value to employers—for example former manufacturing workers.

To a very large extent, these individuals continue to be very active in taking up employment where and when they can but despite these ‘footholds’ find it hard to progress into stable and well-paid employment.

Their general lack of opportunity is compounded for individuals by limited skills, high effective marginal tax rates (especially when people are faced by hidden working costs and with pressures of life on a low income), difficulties in accessing child care or managing personal and family problems.

In this context, the most important directions for social security reform are:

- to ease access and exit to income support;
- to encourage training where possible;
- to support personal involvement in areas where job opportunities may be found (including informal networks); and
- to support all forms of employment more equally. In particular, there is no strong reason why subsidies should be principally directed only to those who happen to be successful in gaining full-time or substantial work.

The most pressing specific changes flow from these.

- Waiting periods should be eased further to avoid discouraging people from undertaking substantial work which might lead to loss of entitlement.
- The ‘free area’ should be extended and linked into an Earnings Bank (as now enjoyed by students), possibly linking this to the existing tax rebate, so as to make moderate earnings much more lightly taxed and reduce the bias against episodic work.
- Other ways to bring the social security and tax systems more closely together, in particular to reduce the immediate loss of earnings through the tax treatment of casual work as a second job and to make the collection of social security debts more in line with those of tax obligations.
- Consideration should be given to reducing the base payment withdrawal rate to 60 per cent, at least for single people who have been unemployed for a long period and for recipients of Mature Age Allowance.
- Greater direct support for the costs of training or work experience should be provided where this is of likely to be of long-term value.

#### **4 • Mobilise more resources to widen opportunities and prevent long-term poverty**

While reforms to social security will help underpin participation in the more flexible, uncertain labour market now faced by many, they will not in

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themselves create either the jobs or the pathways that are needed. Opportunities for people to earn money are heavily structured by other forms of government action.

In particular, the Government should be aware that more resources need to be mobilised in the medium term to:

- increase the aggregate number of publicly-financed jobs in areas of social need;
- increase and elaborate good quality employment assistance;
- in particular, ensure that groups at high-risk of long term labour market disadvantage gain early support to maximise their chances of job entry or re-entry;
- provide more opportunities for education and training without cost barriers acting unfairly against lower-income people;
- expand access to sufficiently cheap housing and transport to ensure that people are not physically separated from areas where jobs are to be found;
- lift levels of funding for child care in ways which make it more affordable and reliable for vulnerable groups; and
- with the states, expand social infrastructure in ways that both address areas of deep disadvantage and produce social inclusion rather than division.

#### **5 • Identify some new and exciting initiatives**

The creation of the Family and Community Services Department allows some new thinking on ways to tailor income and expenditure support, as well as employment assistance, in new and creative ways. Initiatives should be targeted to preventing intergenerational disadvantage and to the major transition points at which people may become excluded from opportunity.

The Brotherhood's recent research and service development experience suggest the following possibilities.

- The creation of a new outreach funding stream to allow community-based children's services to better reduce the risk of long-term educational disadvantage.
- A Commonwealth-State Early Childhood Agreement to coordinate the expansion of educationally-focused programs, particularly for children younger than three years old, within a unified child care and preschool education context.
- Commonwealth equity funding for primary schools, on a submission basis, to allow them to pursue strategies to ensure inclusion and attachment of families who are living on low incomes for long periods.

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- A renewed commitment to fund alternatives for those young people who do not benefit by completing secondary schooling.
- As part of this, the development within or alongside the school system of more intensive support for school-to-work transition for teenagers who are leaving school before Year 12 ('Jobs Pathways Plus').
- A requirement that all Group Training Companies take and place a proportion of young people with school qualifications below Year 12.
- The establishment of new community-business-local government partnerships building on established employment providers aiming to identify new areas of sustainable employment in regions of low jobs growth.

**Resources provided by the Brotherhood of St Laurence**

The above suggestions flow out of a range of research and service activities undertaken over the past 10 years by the Brotherhood. Copies of relevant research reports are being provided to the Reference Group.

Attachment

**Relevant research and other material from the Brotherhood of St Laurence**

The following research and analysis is provided to assist the Reference Group. These papers have helped the Brotherhood of St Laurence develop its thinking on the issues outlined in the overview.

<b>Major area</b>	<b>Publication</b>	<b>Note</b>
<i>1. Direct reform to achievable ends</i>	MacNeill, K 1995, <i>Reading the signs: a review of factors affecting the future of work in Australia</i> , Brotherhood of St Laurence, Melbourne.	Re employment trends
	Manning et al 1997, <i>Economic growth and employment: three perspectives</i> , Brotherhood of St Laurence, Melbourne.	Re employment trends and responses
	McClelland, A 1998, What should the new Government do about work and unemployment?, panel presentation to National conference on unemployment, RMIT, Melbourne.	A short statement of the Brotherhood's priorities for reducing unemployment and underemployment
	McClelland, A 1999, Economics, equity and community in a changing world, paper to ANU 'Hard choices' conference, September.	A longer statement on the breadth of action needed on unemployment.
<i>2. Set right goal for the 'safety net'</i>	Jackson, S 1996, <i>The way forward</i> , Brotherhood of St Laurence, Melbourne.	Re response of income security system to changes in the labour market.
	McClelland, A 1999, 'Understanding the wage and social security interface', <i>CEDA Bulletin</i> , October, pp10-58.	Re 'work and welfare'.
<i>3. Strategies that address reality for lower-income households</i>	McClelland, A forthcoming, Child poverty in Australia, report for the Children's Task Force, Brotherhood of St Laurence, Melbourne	<u>Please note</u> : draft only. Final version will contain some elaboration especially regarding housing.
	Brotherhood of St Laurence 1999, 'The children come first: paid work for single parents with children at school', <i>Changing Pressures Bulletin</i> no. 8, November.	Re situation of sole parents
	MacClelland A & Macdonald, F 1998, <i>Young adults and labour market disadvantage?</i> , Brotherhood of St Laurence, Melbourne.	Re labour market experience of young adults
	Macdonald, F 1999, 'Older workers and unemployment', <i>Brotherhood Comment</i> , September, pp5-6.	Re labour market experiences of older unemployed people

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<p><i>4. Mobilise more resources to widen opportunities</i></p>	<p>MacDonald, H 1998, 'Assisting young people: directions for employment services' in <i>Unemployment: economic promise and political will</i>.</p>	<p>Re characteristics of quality employment assistance</p>
	<p>Tasker, G &amp; Siemon, D 1998, <i>Is child care affordable? Pressures on families and their use of formal long day care</i>, Brotherhood of St Laurence/Community Child Care, Melbourne.</p>	<p>Re interaction between costs of child care and labour market experiences</p>
	<p>Siemon, D &amp; Ford, G 1999, 'Improving child care subsidies', <i>Brotherhood Comment</i>, September, pp10-11.</p>	<p>Re continuing decline in child care affordability</p>
<p><i>5. Identify new initiatives</i></p>	<p>Ochiltree, G 1999, <i>The first three years</i>, Brotherhood of St Laurence, Melbourne.</p>	<p>Survey of value of early childhood programs</p>
	<p>MacDonald, H 1998, 'Expanding opportunities for young people in school and in the labour market'.</p>	<p>Situates Brotherhood's Transition Project in broader changes</p>
	<p>MacDonald, H 1999, <i>Bridging the gap: assisting early school leavers to make the transition to work</i>, Research for Action 1/1999, Brotherhood of St Laurence.</p>	<p>Evaluation report</p>
	<p>MacDonald, H 1999, 'Modelling a commitment to young people', <i>Brotherhood Comment</i>, December, p.10.</p>	<p>Discusses how intensive transitional support is one way of making real a commitment to ensure that early school leavers do not miss out.</p>