



Brotherhood
of St Laurence

Working for an Australia free of poverty

ANGLICARE
AUSTRALIA

*Submission to the
Senate Community Affairs
Legislation Committee*

**Inquiry into Employment and Workplace Relations
Legislation Amendment (Welfare to Work and
other measures) Bill 2005 and Family and
Community Services Legislation Amendment
(Welfare to Work) Bill 2005**

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Submission from

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Introduction

This submission is the Brotherhood of St Laurence and Anglicare Australia's response to the Inquiry into Employment and Workplace Relations Legislation Amendment (Welfare to Work and other measures) Bill 2005 and Family and Community Services Legislation Amendment (Welfare to Work) Bill 2005.

On 9 November 2005, the Senate referred the provisions of the above Bills to the Committee for inquiry and report by 28 November 2005, with particular reference to increasing participation by, and reducing welfare dependence of, parents, people with disabilities, the very long-term unemployed and mature age people through:

- the provision of employment services and other assistance; and
- a responsive compliance system that encourages and rewards active participation.

The Committee invited short written submissions addressing any aspects of the Bill/s that are relevant to individuals or organisations.

Brotherhood of St Laurence

The Brotherhood of St Laurence is a Melbourne-based community organisation that has been working to reduce poverty in Australia since the 1930s. Our vision is 'an Australia free of poverty'. Our work includes direct service provision to people in need, the development of social enterprises to address inequality, research to better understand the causes and effects of poverty in Australia, and the development of policy solutions at both national and local levels. We aim to work with others to create:

- an inclusive society in which everyone is treated with dignity and respect
- a compassionate and just society which challenges inequity
- connected communities in which we share responsibility for each other
- a sustainable society for our generation and future generations.

The Brotherhood has a significant focus on employment in both service delivery and research and policy development. Our employment-related programs include Job Network, Personal Support Programme, STEP (a group training provider), GAPCO (disability employment), Jobs, Placement, Education and Training Program (JPET), and a Community Jobs Program focussed on long-term unemployed people living in public housing (the Atherton Gardens project).

Anglicare Australia

Anglicare Australia is a nationwide network of locally based Anglican organisations serving the needs of their communities. From Groote Eylandt, NT to Kingston, Tasmania, from Bondi to Bunbury, Anglicare member agencies are committed to caring for people in need and seeking social justice for all.

Anglicare agencies work in close cooperation with other community organisations and some receive funding from federal, state and local governments to provide a wide range of services, including:

- employment services
- support for people with disabilities
- family support and relationship counselling
- youth programs.

The Brotherhood of St Laurence and Anglicare Australia support the government's stated aim of moving more welfare recipients into employment, and welcome the increased investment in employment programs and childcare. However, we believe that reduced payments to sole parents and people with disabilities are unnecessary and counter-productive and will result in increased hardship for groups already facing significant disadvantage. The Bill introduces new activity test requirements for people in these groups but fails to tailor these to individual circumstances and imposes harsh penalties on those who do not meet them.

We support ACOSS's recommendations to amend the legislation to improve the effectiveness and fairness of the Welfare to Work package. These include:

- maintaining existing rates of payment and income tests for people with disabilities and sole parents
- introducing legislative guarantees that activity requirements are relevant and reasonable
- introducing a fair compliance system with less severe penalties

Sole parents

Our view

The BSL and Anglicare support government initiatives which support sole parents to move back into the workforce, but not in a way that leaves families as much as \$90 worse off per week.

Background

Sole parent families now represent around 22% of families with dependent children. The primary cause of sole parent families is relationship breakdown. The increase in sole parent families has led to greater numbers on government benefits. However, the proportion of sole parents in paid work has increased over the last twenty years; and they already have a high rate of part-time employment while on benefits and the highest rates of paid employment amongst all welfare recipient groups.

Sole parents have the lowest level of household wealth and experience higher levels of poverty compared with other families.

Many sole parents wish to do paid work but are prevented by structural and personal barriers.

Sole parents' barriers to work

Our experience is that barriers faced by sole parents include:

- mental health difficulties due to the demands of being the only carer, having a low income, and coping with relationship breakdown. Forty-five per cent of sole parents

receiving Parenting Payment (Single) have a mental health problem such as clinical anxiety or depressive disorders—higher than for all other benefit types (Butterworth 2003).

- lack of affordable, flexible and high quality child-care, including occasional care and after school care. Sole parents are more reliant on non-parental child-care and have higher average child-care costs than two-parent families, so they are particularly vulnerable to the declining levels of availability and affordability.
- low levels of car ownership, and inadequate public transport with timetables and routes which do not allow parents to drop off children at school and then go on to work.

In addition, sole parents have lower rates of formal education compared with coupled parents, with half having finished school at Year 11 or earlier. Sole parents are also less likely to have post-secondary education and may lack the qualifications for many jobs. Three-quarters of sole parent mothers have no post-secondary qualifications, but the proportion increases gradually so that by the time their youngest child is 15 years old they are just as likely as coupled mothers to have a degree (ABS 2001, cited in de Vaus 2004, p.50). It is clear that they use the time from when their youngest child starts school to undertake further education.

It is critical to note that in being moved to Newstart, sole parents lose their access to the Pensioner Education Supplement (PES) that supports many through the process of improving their qualifications and work-readiness.

Employment during school hours is sometimes not available; and some jobs require people to work nights or weekends when centre-based childcare is not available. Unskilled jobs are often casual, requiring staff to be on call—but child-care is not available at short notice.

Sole parents are more likely than other parents to face a combination of these barriers. The well-being of children must be protected, and parents need to be able to ensure their children's needs are met.

Tax disincentives

Sole parents face high effective marginal tax rates (EMTRs): for every dollar they earn from working, they may lose more than 60 cents from benefits and family payments. Currently around half of sole parents with earnings face high EMTRs, whereas 90% of Newstart recipients with earnings face high EMTRs (Beer 2003). When sole parents are transferred to Newstart and find casual or part-time work of at least 15 hours, a greater proportion will face high EMTRs.

Different EMTRs apply across different ranges of additional earnings. However, to take an example, a sole parent's additional earnings on Newstart between \$31 and \$76 will be affected by an EMTR of 65% rather than the 0% under the current system. This means they will only gain 35 cents of each additional dollar they earn in this range.

Adding in the cost of childcare means they keep even less from their earnings.

Policy recommendations

Policies to remove barriers will be more effective in helping parents get jobs than simply imposing extra requirements.

The Australian Government should consider:

- allowing parents to remain on Parenting Payment until their youngest child turns 16
- increasing funding to cover all child-care costs for low-income parents returning to work for a period of six months and for those undertaking training until completion
- increasing child-care places in areas of high disadvantage and demand and consider ear-marking new Out of School Hours Care (OSHC) places in the welfare reform package for income-support recipients
- making more places available in the Transition to Work and Jobs, Education and Training programs
- increasing discretionary funding for employment services to help sole parent job seekers overcome barriers (e.g. obtain a driver's licence)
- improving access to training and education for sole parents (e.g. giving more weight to education outcomes in employment services, and covering the costs of education)
- working with state governments to improve public transport, especially in outer metropolitan and regional areas
- allowing sole parents to retain concession cards for 12 months after starting employment
- ensuring that staff in employment programs are skilled at working with people with anxiety and depression. Focusing on obligations may jeopardise success with this group.
- allowing sole parents with limited education to complete their schooling and/or further training as an alternative to immediate job search.

Legislation should specify that any participation requirements must be reasonable, taking account of children's needs, parents' education, employment and training history and goals, and barriers to participation such as disabilities.

Sole parents should be able to meet activity test requirements by participation in education and training.

Some provision for temporary exemptions from participation requirements has already been made, for example for parents with four or more school-aged children and those who care for a child with an illness or disability. However we think there is a wider range of special circumstances ought to be recognised, including periods of family crisis such as: recent separation, divorce proceedings or incidence of domestic violence.

People with disabilities

Our view

The BSL and Anglicare support initiatives to help people with disabilities get into employment, so long as people are not made worse off. However, the proposed changes to DSP are likely to result in reduced incomes for people with disabilities.

Impact of changes

The change in eligibility means that 60 per cent of new applicants for DSP will be rejected, compared with 40 per cent at present. About 26,000 people per year will go onto another benefit (mainly Newstart Allowance). Single people will be at least \$40 per week worse off (ACOSS 2005).

Those on Newstart will also face harsher taper rates of 50 or 60% rather than 40% under DSP, meaning that someone working 15 hours per week on Newstart, for example, will be \$93 per week worse off than if they were on DSP working the same hours.

Barriers

It is not a simple matter for people with disabilities to find ongoing employment. A large proportion of people on DSP are men over 50. Employers are reluctant to take on older workers generally, let alone those who also have a disability.

Disability open employment services are specialists in helping this group, but many people cannot get to them. There are new places available, but not for those already on DSP. Job Network services can help some people with disabilities but lack the skills and experience to help everyone with a disability and the time to provide extra assistance (such as on-the-job support or training).

Changing circumstances

Many people with disabilities can only work part-time. If they are on Newstart Allowance instead of DSP, they lose much more money out of any wages they earn. Benefits will be withdrawn at 60 cents in the dollar (for every dollar earned over \$250 per fortnight) instead of 40 cents.

People with psychiatric disabilities may be able to work full-time at some periods, but not at all when they have a relapse. The changes do not take this into account.

People with disabilities also incur greater costs— for example, for travel—which can make job search more expensive.

Another uncertainty is what will happen to people currently on DSP when they come up for review: will they be assessed on the new criterion or the old?

When someone on DSP starts a job and stops getting the pension, they should be able to return directly to DSP without reapplying if the job falls through. This only applies currently if they lose a job through ill-health, but not for other reasons (for example, if the job finishes).

Policy recommendations

We believe that eligibility for DSP should be based on barriers to employment rather than simply ability to work a certain number of hours per week. This would mean people need not fear losing their pension if they try working.

In addition, people on DSP who start a job should be able to return immediately to DSP if their job ‘falls through’, whatever the reason for the work ceasing.

To ensure that people with a disability have greater access to employment without being worse off, we recommend that the Australian Government:

- increase the number of places in disability open employment services
- provide education and incentives to employers to employ people with disabilities
- introduce a ‘costs of disability allowance’ to cover the extra costs associated with having a disability. This would continue if the person started work
- reconsider its decision to make people who are only able to work 15–30 hours per week ineligible for DSP.

Long-term unemployed

Our view

The BSL and Anglicare support government initiatives which support long-term unemployed people to move back into the workforce. These should aim to reverse the harm caused by long periods of inactivity and provide intensive personal assistance, appropriate training and be connected to employment.

Background

The Job Network is the primary means for delivering such assistance to long-term unemployed. However, research conducted by a range of organisations, including the Brotherhood of St Laurence, has concluded that long-term unemployed and highly disadvantaged job seekers have not been well served in terms of both employment outcomes achieved and quality of assistance delivered. A recent report by the Australian National Audit Office found that assessment of barriers and customisation of job search plans was limited, and that the level of contact rarely met contracted specifications. An overall concern was expressed about whether assistance provided to job seekers is actually intensive and personalised (ANAO 2005)

A current limitation in employment programs is lack of work experience for the long-term unemployed. Employers often prefer to appoint job seekers with recent work history, and the longer someone is out of work, the more uncompetitive they become. Work experience can overcome this in part. A serious strategy to reduce long-term unemployment must provide more opportunities for paid work experience.

Overall, Australia’s investment in labour market programs is significantly less than the OECD average (OECD 2002). Greater investment in programs to provide training, work experience and post-placement support is necessary to enable the most disadvantaged job seekers to participate in employment.

Our experience

Work done by the Brotherhood of St Laurence with long-term unemployed residents on the Atherton Gardens housing estate in Fitzroy demonstrates clearly that positive outcomes can be achieved with long-term unemployed people. The key components of our model include pre-vocational support (including building self-esteem and understanding of work requirements), concurrent training and work experience, a clearly identified strategy for placement into ongoing positions at the end of training and intensive post-placement support. Substantial assistance and ongoing support is essential, but our results suggest that this investment is rewarded by greater uptake of opportunities and retention in paid work.

Policy recommendations

- Increase the level of assistance and support provided to long-term unemployed people to facilitate their reintegration into the labour market.
- Implement labour market programs that are developmental and emphasise education training and skill development.
- Significantly increase the number of places available through Wage Assist, which provides employment subsidies to the long-term unemployed.
- Restructure the Job Network model to better target long-term unemployed and highly disadvantaged job seekers and to encourage sustainable rather than short-term employment.
- Provide better integration between employment and social services.
- Increase the focus on life-long learning, and ensure enhanced access is provided for vulnerable groups and those furthest from the labour market.
- Significantly improve funding levels to labour market programs as a proportion of GDP, and bring Australia back in line with the OECD average

Compliance and participation

Under the current arrangements in Australia, people are required to undertake activities which, in theory, encourage and enable them to find a job. However in practice the experience is often of repeated failure and demoralisation. While the activities themselves do not lead to employment, they must be carried out in order to maintain an income, even when there are no jobs available.

Research carried out by the Brotherhood of St Laurence, St Vincent de Paul Society, and the Centre for Public Policy (Ziguras, Dufty & Considine 2003) found that those job seekers with the greatest barriers to employment felt the system to be least helpful. At the same time as managing other difficulties in their lives, they were so engaged in meeting their requirements that these seemed to have replaced actual job search activities. Many people in this situation expressed great dissatisfaction, even hostility, with Centrelink.

Meeting obligations also posed great difficulties and absorbed a significant amount of time and emotional energy. This group tended to regard both administrative and activity test requirements as an unfortunate necessity: they met the requirements simply in order to get paid, but did not perceive them as helping them find work. In essence they were literally 'working for the dole'.

Contrary to the underlying aims, the emphasis on compulsion in the Australian mutual obligation regime appears to generate avoidance and resentment amongst those who most need assistance. While people may comply, these requirements are not a means to finding work, but a necessity for remaining eligible for benefits.

Welfare and industrial relations reform

Recent debate concerning IR reform has highlighted the fact that welfare reform must be seen in conjunction with industrial relations reform especially as it impacts on the minimum wage.

Wages and welfare have an important relationship: wage levels influence welfare payment levels and welfare acts as a protective floor for workers

We are concerned that IR reforms are likely to put downward pressure on wages and therefore on welfare leading to greater poverty and inequality.

If the proposed IR reforms are to be implemented we ask the Government to consider five policy initiatives to protect those on low incomes:

- Instruct the Fair Pay Commission to adopt a strategy and targets not only for the creation of jobs, but also for incrementally raising the living standards of the low-paid.
- Increase investment in education and training designed to help people out of the low-skill, low-wage sector of the job market.
- Introduce measures through the taxation system to boost the family incomes of the low-paid.
- Protect the unemployed from being coerced into accepting jobs, stripped of entitlements that the more advantaged enjoy.
- Adopt a social objective of reducing poverty.

We need to build the capacities of those least able to compete in our modern economy and ensure they are able to live with common dignity whilst we do. Without measures of this type we find no vision of a fairer society in what the Government is proposing.

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