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Submission to the
Education, Employment and Workplace Relations
Committee Income Inadequacy Inquiry

What Disposable Income?

August 2012

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Anglicare Australia

Anglicare Australia is a network of 43 independent organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the faith that every individual has intrinsic value. Our services are delivered to one in forty Australians, in partnership with them, the communities in which they live, and other like-minded organisations in those areas. In all, over 17,771 staff and 17,908 volunteers work with over 480,000 vulnerable Australians every year delivering diverse services, in every region of Australia.

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Executive Summary

Often those in receipt of benefits, especially those who are on long-term benefits, come from an intergenerational history of disadvantage and unemployment.¹ Lower levels of education combined with poor health, deprivation, stigmatisation and mental health conditions, as referred to previously, has led to a lower starting point from which to be able to acquire sustainable employment. Poverty is a great inhibitor to employment and research in Australia shows that for some families, namely those on Newstart², poverty is persistent through generations.

The truth remains that people who attempt to survive on Newstart are struggling. Many of the Newstart recipients receive the payment for long periods of time. Over that time their skills degrade and personal health, wellbeing and drive decreases. These factors contribute to a churn in and out of low-level employment for people which ultimately reduces their work capacity.

A direct result of living on the newstart payment over such long periods is the diminishing value of the payment itself. Not only will the value of the payment reduce over time, the longer one spends on the allowance, the less it is able to support them. As a result, people are further disenfranchised through financial exclusion, housing stress and public condemnation. Sacrifices are made to health and education, both of which impact on an individual's capacity to obtain work. Ultimately it is not only the individual or family that suffers as communities feel the effects of break-up as people move in search of more agreeable settings.

Fear is another attribute of living on the low payment of Newstart. Fear of mis-reporting. Fear of mis-handling of your reporting. Fear of being breached and taking several weeks to return to the starting point with the additional fear that if a crisis, or even a good event, arises because there are no means with which to cover it.

Exacerbating the effects of unemployment are the attributes of low-level work in Australia today. Research has shown that a poor quality can have worse effects on an individual than remaining in unemployment. It has also shown a substantial decrease in the type of lower-skill work that people on a low income might transition into with the majority of the work now available of an insecure nature and of poor quality. They experience significant churn if they are able to exit NSA, moving into peripheral jobs, which due to a combination of individual low work readiness after a period on NSA and poor workplace readiness.

Employers and governments have a responsibility, along with individuals, to generate market opportunities and jobs. In promoting the growth of human capital through line of sight employment and step migration employers who take on people from a disadvantaged background and foster their development will see greater returns on their investment than continuing with offering a series of unconnected insecure positions.

On that basis we recommend that:

- Governments recognise that for many in receipt of the Newstart payment, it is not a matter of a short term incentive measure but rather a long-term and complex issue, and to use this understanding as a basis for further policy development.
- Whilst recognising that increases in rental assistance may drive up the cost of rent in the long term, CRA should be increased immediately to relieve the current situation. Long term, this should be factored into increases in Newstart Allowance.
- The Newstart Allowance is set at a level which is sufficient to support an individual or family for an extended period of unemployment. And that this, and other payments, be set at that level by

1 David Black, Yi-Ping Tseng and Roger Wilkins (2005), *The causes of long-term income support receipt associated with unemployment*, Melbourne Institute of Applied Economic and Social Research.
<http://www.melbourneinstitute.com/downloads/labour/7-08%20Final%20Report.pdf>

2 Ben Phillips and Binod Nepal (2012), *Going without: Financial Hardship in Australia*, NATSEM (Report to be published on 27th August 2012)

an independent body which takes into account the extenuating costs of living on a low income in an affluent society.

- That the current system of complex and confusing benefits is reformed over time to move towards one payment.
- Government recognise that supporting people into employment is not merely a matter of getting people jobs but rather a matter of generating meaningful employment for people and ensuring that they have the capacity to take up those opportunities.
- Employment services are directed through contracts to work with business and community sector partners to identify opportunities for allowees that provide a line of sight to stable employment through a process of step-migration and long-term flexible support which increase as the duration of income support increases.
- Increased and innovative incentives are provided to employers to increase the demand for labour. For example, broadening and increasing wage subsidy schemes; tax incentives for the long-term employment of a long term unemployed person; tax incentives upon demonstration of skill development for an employee from a disadvantaged background.

These recommendations are made in addition to those recommendations put forward by the Australian Council of Social Services (ACOSS). Anglicare Australia provides its full endorsement of the recommendations in the ACOSS submission.

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Introduction

Members of the Anglicare Australia network have compiled strong evidence, over a period of years, of the inadequacy of the allowance payment system through independent and collaborative research, the evaluation of the programs they deliver, and the day to day engagement with people reliant on those payments.

Our extended connection with individuals and communities offers insight into the complexity of the poverty and exclusion that those reliant on that system experience, and its failure to support those people into sustainable work. It is in fact a system destined to fail. The economic and social harm that are a consequence of people living for extended periods on an inadequate income are immense.

The changing nature of the labour market particularly disadvantages the already disadvantaged. Government needs to invest more deeply into community and business programs that support into work and engagement the most marginalised members of our society.

While the inadequacy of this payment system extends to its inflexibility and unresponsiveness, a more realistic income level for people reliant on the allowance payments, and a fair way to adjust them, is the vital first step.

The Experience of living on a low income

It is the experience of living on a low income, so often for extended periods of time that demonstrates the inadequacy of allowance payments, and the consequence of that inadequacy.

Anglicare Victoria's hardship survey³ this year found almost half the people they see on the Newstart Allowance (NSA) can't afford prescription medication or dental treatment. 30% don't have a telephone. The same number don't have computer skills.

The survey also found on that people on NSA are more likely than other government payment recipients to miss out on day-to-day basics such as substantial (good) food and heating, and that NSA recipients with children often cannot afford outside-school activities and basics such as school books and uniforms.

Anglicare Sydney's 'State of Sydney' report⁴ this year found that the level of joblessness among the thousands of households with dependent children that they see is considerable. Less than 2% of these households have anyone employed full time and a slightly larger proportion (4.2%) reliant on part-time employment. A third of the households with children are in severe housing stress, paying more than 45% of their already low incomes on rent.

The Social Inclusion Board reported⁵ children in families that are jobless for more than a year are more likely to fall below national minimum educational standard than those whose parents are employed. These children also have poorer health.

The Board also found people on the lowest income are more likely to experience multiple disadvantages including poor health, inability to get paid work and support in times of crisis, and lower life satisfaction

Going Without

Anglicare Australia, with Catholic Social Services Australia, the Salvation Army and Uniting Care Australia, commissioned a research report from NATSEM specifically to compare the circumstances of Newstart and Job Seeker Youth Allowance recipients with other Australian population groups. The

³ Sarah Wise and Sez Wilks (2012), *Anglicare Victoria's Hardship Survey 2012*, Anglicare Victoria

⁴ Sue King et al. (2012), *2012 State of the Sydney Report Poverty's Effect on Children*, Anglicare SYDNEY

⁵ Australian Social Inclusion Board (2012), *Social inclusion in Australia: How Australia is faring*, 2nd Edition, available at: http://www.socialinclusion.gov.au/sites/www.socialinclusion.gov.au/files/publications/pdf/HAIF_report_final.pdf

research report *Going Without: Financial Hardship in Australia* will be published in late August. Key findings are

In terms of OECD measures of poverty

Households where NSA/YA benefit is the main source of income (unemployed households) are more than twelve times as likely to be in poverty than those on wages and salaries, with a poverty rate at 75 per cent

Between 2000-01 and 2009-10 the unemployed households experienced the most significant increase in their poverty rate compared to other groups receiving government benefits: an increase from 63.9 % to 75.3%, compared with 27.2 to 27.8.

In terms of deprivation

36 % of unemployed households experience at least three forms of financially driven deprivation (out of six) compared with an average of 4.8% per cent for households in receipt of wages and salaries.

34% of unemployed households cannot afford to have friends and families over for a meal once a month, compared with 4% of waged and salaried households.

Financial stress

45 % of unemployed households experience at least three financial stressors (out of nine) compared 7% for wage and salary earners. Perhaps more vivid is the evidence that

36 % of households on YA/NSA cannot afford to pay electricity on time, compared to 12% of households on wages and salaries;

13.5% of unemployed households on YA/NSA cannot afford to heat home, compared to less than 1% for those on wage and salaries; and

16.5% of unemployed households on YA/NSA went without meals compared with 2% of the others.

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Housing Stress

50% of unemployed households have housing stress, as they are paying a third of the disposable income on housing. For those in the private rental market, compared to 22.9% housing stress experienced by households with income(s)

Living Costs

After housing costs, the unemployed households have disposable incomes of just \$242 per week which is about 23 per cent of the national average.

Once the basic expenditure items such as shelter, food, electricity, health are taken into account Unemployed households have only \$22 per day left over which is a half that of other government beneficiary households and only 12 % of that for wage and salaried households (with \$188 per day).

This is inarguable evidence that people living on unsustainably low incomes, as the Newstart and Youth allowance clearly are, inevitably suffer ill health, social exclusion and inordinately limited opportunities to change their situation. And that the longer people remain trapped in these circumstances the more difficult it becomes to get out, with all the social and economic costs to individuals, families and society which that entails.

Damaging periods of inadequate income

A fundamental flaw in the allowance payment system is that it is founded on expectation that people will only be in receipt of allowances for a limited time.

The Government's own data points to the intractability of long-term unemployment.⁶ With over 660,000 people in receipt of Newstart and Youth Allowance (non-student) this year (June 2012), 60% were long-term recipients and over 25% in receipt of the support payment for longer than two years.⁷

Job Search Experience data show that people are more likely to return to the workforce within three months of becoming unemployed, after this time the expected duration of unemployment lengthens.

A report prepared for the Australian Government by the Melbourne Institute identifies *duration effects* and *skill atrophy* as serious outcomes of sustained periods of unemployment.^{8,9,10} It shows that long "spells" of unemployment increase the likelihood of further periods of unemployment of long duration. Therefore for those already receiving Newstart and who have been for some time, can expect to not only continue to receive it for some time to come but should also expect to receive it again in the near future. If this weren't indictment enough, further to this, the report showed that during employment, the traumatising effects arising from unemployment do not entirely recede, leading to the churn in labour force engagement and the degradation of skills, health, and personal drive.

If anything, in association with the broader system, the payment is acting in the reverse. *Despite* the low level of payment, people are remaining on Newstart. Either this speaks to the idea that there is an extremely lazy and unambitious sector of the Australian population happy to wither away in poverty paving the way for their children's future into further poverty *or* it speaks to a larger more serious issue in that the employment assistance system – as well as education, health and justice systems -is failing these people. It is precisely the low level of the payment, lack of viable alternatives, and complicated (and punitive) earnings reporting systems that act as a disincentive to work. Keeping the payment low to incentivise people back to work is clearly a naive solution ill matched to the complexity of the issue.

Government must not be so naive as to believe that income support is a short term measure, nor must it be so insincere as to promote this as an effective policy measure which encourages people back into the workforce because we can see that the Newstart payment as it currently stands is not. Government must modernise its thinking around this issue. For a majority of recipients, that Newstart is a short-term employment assistance measure is just not true.

Recommendation: that governments recognise that for many in receipt of the Newstart payment, it is not a matter of a short term incentive measure but rather a long-term and complex issue, and to use this understanding as a basis for further policy development.

3

Life on the edge

The interface of a very low income and the length of time living upon that income leads to complex and often difficult to turn around consequences. What this means for people is that they are forced to the edges of our society with little hope of ever transitioning permanently to the core, as Brian Howe¹¹ former Deputy Prime Minister recently called it. Little by little, the fabric that holds their lives together begins to unravel and it can take only one unexpected expense or event to entrench people into disadvantage perhaps for the next and even subsequent generations. NATSEM research shows that 55.1% of those living on Newstart or non-student Youth Allowance could not raise \$2,000 for an emergency; this compares with 10.7% of the waged population.

⁶ Department of Families, Housing, Community Services and Indigenous Affairs (2011) *Income support customers: a statistical overview 2011*. Australian Government: Canberra.

⁷ Ben Phillips and Binod Nepal (2012), *Going without: Financial Hardship in Australia*, NATSEM (Report to be published on 27th August 2012)

⁸ David Black, Yi-Ping Tseng and Roger Wilkins (2005), *The causes of long-term income support receipt associated with unemployment*, Melbourne Institute of Applied Economic and Social Research.
http://www.melbourneinstitute.com/downloads/labour/44_Causes-LTunemployment_FinReport.pdf

⁹ Australian Council of Social Services. 2011. *Employment Participation: Factsheet*. ACOSS. Sydney. Accessed from <http://www.acoss.org.au/uploads/ACOSS%20Participation%20factsheet%20April%202012.pdf>

¹⁰ *ibid*

¹¹ Address by Brian Howe, AO Chair of the Independent Inquiry into Insecure work in Australia to the National Press Club, 18 April 2012, available at <http://securejobs.org.au/media/address-by-brian-howe-to-the-independent-inquiry-into-insecure-work-in-australia-to-the-national-press-club/>

The diminishing value of the Newstart payment means that people are unable to sustain themselves for the extended periods for which they receive it. Given the way that Newstart is indexed, the payment is destined to reduce in value over time. Predictions from NATSEM have the income of Newstart allowees at around 12% of average income in just 5 years: it only is currently 18% as it is. As the years progress, the value of the payment will decline but also as people spend longer on the payment, its effectiveness as a living supplement also declines.

The stated purpose of the Newstart payment is to be a transition income for the brief period that people find themselves unemployed. Sufficient to allow a person to live but not so luxurious that it incentivises people to remain on the payment for the long-term. However, Anglicare Australia contends that the payment is not only far from luxurious, it is not even remotely sufficient.

Evidence from Anglicare Australia network members reports that allowees are able to scrape by for a few months on the payment, deferring large or unexpected expenses til such time as they are gainfully employed ensuring those crises are not the poverty sentence that they might have been. However deferring those costs whilst on long-term benefits is not an option. Each routine expense: car registration, a power bill, children's school costs, medication, rent etc etc, drives people who are close to the edge into severe financial stress and ultimately financial exclusion as the means to manage those expenses become limited. Unexpected, non-routine expenses such as dental work, travel to a funeral, replacement tyres or repairs for the car are completely beyond the ability of such households.

Gradually, people start to make cuts here and there and as time goes by those cuts become permanent, sometimes irreversible, sacrifices. A report to be released in Anti-Poverty Week by Anglicare Australia will show parents on Newstart are frequently going without food in order for their children to eat. With a limited budget and hard deadlines for expenses such as rent, utilities and to a lesser extent transport (64.7% of disposable income is spent on basic necessities such as these)¹², recipients are forced to find in their budgets the areas that might be more flexible. Unfortunately, this often means food, health and education fall into an improvised 'luxury' category with all items of this type usually bought less often by those on Newstart.

Young people too are making *interesting sacrifices* as one worker put it, in order to get by. As housing and utility prices increase a greater proportion of a meagre income is expended leaving less and less to cater for everyday expenses. For young people living in Darwin a pattern has emerged of groups forming based solely on economic need taking up leases which, because of poor relationships within households, ultimately fail. The ensuing poor rental history determines that future rentals are unlikely to be available to them and as such young people are leaving Darwin in pursuit of other more amenable housing and employment options. Extremely low incomes and seemingly interminably rising costs of living (made worse on a low income) are driving young people out of communities.

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There is also anecdotal evidence from around the Anglicare network of people on NSA entering relationships based purely on the grounds that a couple household is more economic than a lone person household rather than other compatibility criteria.

This is what living a life on the edge of society has become. It is a constant battle for survival. The poor health and educational attainment levels typical of this population group is demonstrative of the harshness and difficulty of a life spent living on a low income. While public opinion may wish for everyone to gain work, research from The Australia Institute shows that very few people realise just how low the current Newstart Allowance is.¹³

One area that is difficult to quantify is the fear and anxiety that clients across the country reported to Anglicare workers. Difficulty in quantifying does not mean that it shouldn't be taken into account in terms of its effect upon long term mental health. People reported the fear of losing Centrelink benefits if they declared earnings. The fear was twofold – they feared Centrelink's ability to deal with the information appropriately citing examples of benefits being cut or stopped incorrectly only to be reinstated incorrectly. This was compounded by uncertainty about what they were allowed to earn and how the interaction of any paid work pay periods and Centrelink's pay periods would pan out. Anxiety

¹² Ben Phillips and Binod Nepal (2012), *Going without: Financial Hardship in Australia*, NATSEM (Report to be published on 27th August 2012)

¹³ Anglicare Australia. 2011. State of the Family Report 2011: Staying Power. Canberra

about where money was coming from and the knowledge that no unexpected circumstances could be dealt with further drove up stress levels.

As time progresses and expenses accrue, people simply run out of options. The search for work is taking longer than expected, the costs of seeking work and of living are mounting. Faced with this sort of mounting financial pressure the level of dissaving increases. NATSEM showed that people on Newstart spend 122%¹⁴ of their weekly income indicating that people are spending around one fifth over and above their maximum income. It is not hard to see where this leads, the financial stress of this situation is taken directly to pay day lenders, pawn shops and illegal loan sharks.

As a direct result of being in receipt of Newstart, people on low incomes do not have access to mainstream financial credit, their business is not profitable enough for the big institutions. The current government has made some impressive inroads improving consumer credit protections, recognising that many people on low incomes fall into debt spirals by accessing high-interest short-term loans and exceeding credit at levels well beyond what they can afford. To pay off a credit card or a major expense such as a funeral or maintenance on a car they access one or many credit schemes which detract from the person's payment before they receive it and which may take years to pay off.

Housing is another issue constantly raised around the Anglicare network. It continues to be a problem for people living on the edge. Affordable homes for people are in short supply and without direct intervention from governments and private investors this is set to worsen.¹⁵ Despite only a third of the general population living in rental accommodation, competition for rentals is fierce. The high prices in the purchasing market has caused a push-down effect on other segments driving up prices and competition. The NATSEM data confirms the Anglicare Rental Affordability Snapshot and shows that housing is the major expenditure item for people on low incomes with those who receive Newstart as their main source of income, spending upwards of 36% of their income whilst the general population is spending around 14%. The 36% is made worse because it is a higher proportion of a lower income. People with little money have very little capacity to be competitive and the pressure bubble bursts among lower income earners, forcing them into accommodation that is inadequate and unaffordable. Being on benefits can in and of itself see people turned away in rental applications.

People living on low incomes are once again left to carry the burden of this societal dilemma with the option of public and social housing decreasing as all governments divest themselves of their stock and of their responsibilities. People in public housing may be happy with their tenancies¹⁶ but the number of them is not likely to increase any time soon. The Anglicare Australia Snapshot¹⁷ showed that this is a worsening problem for people on the edge with lower rates of availability of affordable housing for people on low incomes (including the minimum wage) across the board.

In the regional setting, housing is similarly a problem as people move to where there are cheaper houses but it is likely that in these places job opportunities are low. It is a difficult situation made more unappealing by the gradual degradation of communities.

The impact of poverty, insecure housing, stigma, and ill health on the capacity for people to be a part of and contribute to society are severe. That imposes a significant cost on the wider community as well as the individuals and families concerned.

More and more communities are being relied on to reinvent themselves, particularly in regional areas.¹⁸ Participation from all sectors helps knit communities together, build on their strengths and develop the capacity to manage themselves. However, deprivation and poverty create barriers that can become insurmountable: with low income earners showing the lowest level of participation across the board in

14 Ben Phillips and Binod Nepal (2012), *Going without: Financial Hardship in Australia*, NATSEM (Report to be published on 27th August 2012)

15 National Housing Supply Council, 2011, *State of Supply Report 2011*, National Housing Supply Council, Australian Government, http://www.nhsc.org.au/state_of_supply/2011_ssr_rpt/docs/nhsc-state-of-supply-report-2011.pdf

16 Australian Institute of Health and Welfare (2012), *National Social Housing Survey: State and Territory results 2010*, available at: <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=10737422451>

17 Anglicare Australia (2012,) *Anglicare Australia Rental Affordability Snapshot* (2012)

18 Mark, D. 2012. 'Sustainable communities are doing it for themselves'. *The Drum*, <http://www.abc.net.au/news/2012-07-04/mark-sustainable-communities/4107664>

terms of having a voice in their communities, contributing to social issues and participating in community groups or events.¹⁹

Sociologist Putnam argues that as the importance of the community increases communities perceive life to become more difficult. He describes natural networks that arise within communities: some that support people where they are and others that help people to raise their status and standing.²⁰ It is the latter of these networks that are important for increasing the capacity of communities to grow and adapt to new conditions and it is precisely this type of network that low income earners are generally restricted from. People excluded from networks that support social mobility don't benefit from being sewn into the social fabric but rather are further disenfranchised by being figuratively and literally removed from it.

The Brotherhood of St Laurence with the Melbourne Institute has created a social exclusion monitor based on the national HILDA data set that tracks and measures the ways in which people are barred from the world around them. Measures for exclusion include low income, ill health, poor literacy, disconnection from community and so on. Its latest bulletin reported more than 17% of the population were deeply excluded in one or more years of the past nine, and that 10% were deeply excluded in at least two years during this period. More than 1.5% of the population were excluded in every year of the nine-year period.²¹

These findings are supported by analysis of the social determinants of health, which shows income inequality is a major driver of deprivation, disadvantage and even poverty, with flow-on effects for health and wellbeing. The Social Determinants Commission of the World Health Organisation says that *high burden of illness responsible for appalling premature loss of life arises in large part because of the conditions in which people are born, grow, live, work, and age. In their turn, poor and unequal living conditions are the consequence of poor social policies and programmes, unfair economic arrangements, and bad politics.*²²

People have a natural desire to participate. The health of our communities and the health of our economy depend upon it. The Newstart and similar payments must be set at a level that allows people to participate meaningfully in their communities, to access the networks that will help them identify (and support them to take up) the opportunities that can lead them to better health and security at the core of our society.

Recommendations:

- Whilst recognising that increases in rental assistance may drive up the cost of rent in the long term, CRA should be increased immediately to relieve the current situation. Long term this should be factored into increases in Newstart Allowance.
- That the Newstart Allowance is set at a level which is sufficient to support an individual or family for an extended period of unemployment. And that this, and other payments, be set at that level by an independent body which takes into account the extenuating costs of living on a low income in an affluent society.
- That the current system of complex and confusing benefits is reformed over time to move towards one payment.

A Good Job is hard to find!

There seems to be a mixed message being batted around in the public debate at this time: on the one hand we're being told that Australians are faring better than ever, the effects of the boom are being felt across the board (if a little unevenly) and we're much better off compared to ourselves ten years

19 Australian Social Inclusion Board (2012), *Social inclusion in Australia: How Australia is faring*, 2nd Edition, available at: http://www.socialinclusion.gov.au/sites/www.socialinclusion.gov.au/files/publications/pdf/HAIF_report_final.pdf

20 Putnam, R. 2001. *Bowling Alone: The Collapse and Revival of American Community*. Simon & Schuster.

21 Brotherhood of St Laurence and Melbourne Institute *Social exclusion monitor bulletin* April 2012

22 Commission on Social Determinants of Health (2008), *Closing the gap in a generation: health equity through action on the social determinants of health*, final report of the Commission on Social Determinants of Health, Geneva, World Health Organization http://whqlibdoc.who.int/publications/2008/9789241568707_eng.pdf

Anglicare in every community

ago.^{23,24} On the other hand we hear that prices are rising, households are doing it tough and the message from the Prime Minister²⁵, at least, is that companies are getting fat off the profits of household hardship. Whichever case is the truest for most people on one thing there seems to be increasing public agreement: people on the lowest incomes are the ones who struggle the most.

Yet, in response to that concession we have seen a lot of speculating over what the remedy might be. And as middle income Australia thinks about drawing its belt tighter people may resentfully ask “why can’t they get a job to support themselves? I did”

Sadly, as is often the case with complex social issues, there is more to it than what’s on the face of it. Usually, it takes a discerning consumer to unpack the issues to get a real understanding of why it’s not just that simple. Mitigating factors in long-term unemployment are both the quality and availability of the work itself. Although, it is not a popular message, with public opinion tending more toward “any job is a good job”, penetration into the public psyche that bad jobs can be more costly²⁶ has been limited.

The quality of the work that a person undertakes in their paid employment has a significant bearing on the sustainability of their employment and future outcomes for their health, wellbeing and future work capacity. Drawing on the work of Dr Peter Butterworth, it has been comprehensively shown that poor quality work can have detrimental effects on the employee.^{27,28} This can occur to such an extent that transitioning from unemployment into poor quality work can have even worse effects on the individual, in regard to health and wellbeing and in particular mental health, (amounting to greater costs to the economy) than remaining unemployed.²⁹ There are several points that need to be kept in mind when considering this as a reasonable assertion. Firstly, there is a wealth of studies that people transitioning off long-term benefits have a higher prevalence of mental ill-health and poorer physical health than the wider population. The findings from the Melbourne Institute³⁰ showed that the denigrating effects from unemployment never quite dissipate. And, drawing further on the Melbourne Institute findings, the longer someone has been unemployed the further their skill set degrades. Long-term recipients of low incomes are thereby attempting to enter the labour force with an established disadvantage. Combine these facts with a job that is neither fulfilling nor meaningful and over time it is not surprising that cycles of employment and unemployment are more likely for this group.

Unemployment continues to be a prominent and real-world issue; internationally the World Economic Forum has announced that financial instability and income disparity will be the number one global issue of concern for the next 10 years.³¹ The OECD has reported that the level of the Australian Newstart system is insupportably low³² and still the chief ameliorating strategy is for people to take up paid work. However, over the last 20 years the structure of occupations within industries has changed. At the same time as high-skilled occupations increased, massive decreases were occurring in low-skilled jobs. According to research from America, growth has been greatest in demand for expert thinking and complex communication (see chart below)³³ and – particularly in Australia as well – the largest

23 Ben Phillips and Binod Nepal (2012), *Going without: Financial Hardship in Australia*, NATSEM (Report to be published on 27th August 2012)

24 Ibid.

25 Electricity prices: the facts (2012), Speech by the Prime Minister to the Energy Policy Institute of Australia

26 Peter Butterworth et al (2011), The psychosocial quality of work determines whether employment has benefits for mental health: results from a longitudinal national household panel survey, Centre for Mental Health Research, The Australian National University, Canberra, Australia

27 Peter Butterworth et al. (2010), The limitation of employment as a tool for social inclusion, Centre for Mental Health Research, The Australian National University, Canberra, Australia

28 ibid

29 ibid

30 David Black, Yi-Ping Tseng and Roger Wilkins (2005), *The causes of long-term income support receipt associated with unemployment*, Melbourne Institute of Applied Economic and Social Research.

31 Sloan, J & Maher, S. 2012. *Income disparity world's chief risk, says World Economic Forum survey*. The Australian, January 13, 2012 accessed from <http://www.theaustralian.com.au/nationalaffairs/treasury/income-disparity-worlds-chief-risk-says-world-economic-forum-survey/story-fn59nsif-1226243066379>

32 Organisation for Economic Cooperation and Development. (2008), *Growing Unequal?: Income Distribution and Poverty in OECD Countries* accessed <http://www.oecd.org/dataoecd/44/47/41525263.pdf>

33 Autor, D., & Duggan, M. (2006). *The Growth in the Social Security Disability Rolls: A Fiscal Crisis Unfolding*. Journal of Economic Perspectives—, 20(3), 71-96 in Catholic Social Services Australia, Anglicare Australia, UnitingCare Australia & the Salvation Army. 2011. *What if employers say no?* Canberra.

decreases have been in those roles drawing on numerical clerical work and secretarial assistance, and routine tasks of machinery and plant operation.³⁴

The type of work that people coming of NSA might engage in is evaporating and recent research has been published introducing a concept relating to theoretical jobs. These are jobs that exist in principle in the economy, rather than actually available jobs.³⁵ The term allows for an explanation of the incongruity between the seemingly countless number of jobs reported in the media and the high levels of unemployment present in the lower third of the social gradient.

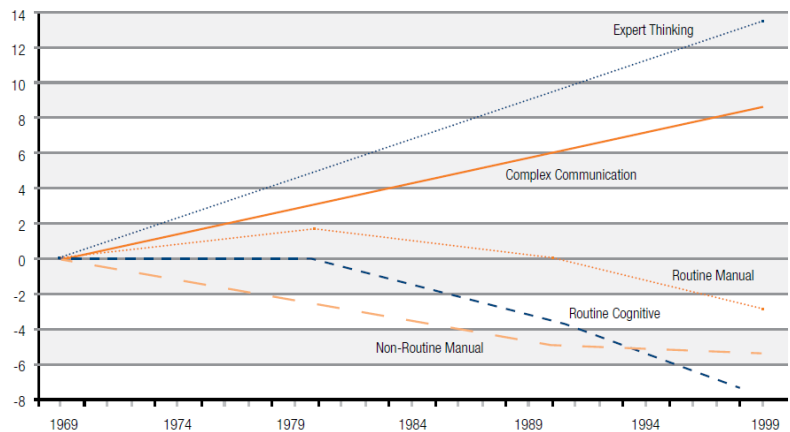
“With unemployment currently low and some employers complaining about skill shortages it might seem a stretch to argue that labour market demand is a problem. But data on the rates of male full-time employment suggest exactly that.”³⁶ It illustrates the point that it may not be as easy as simply ‘taking up paid work’, when in reality, it seems these jobs don’t exist.

The Inquiry into Insecure Work in Australia conducted by Brian Howe for the ACTU recently has also shown that the experience of people on low incomes, if they are able to obtain work, is that it is usually of a casual nature, highly insecure, labour intensive, low quality and often dangerous.³⁷ The upshot of all of this is that we now know that people fare worse when they take up poorer quality work but also that, largely, the only work that seems to be available at this time is generally of a poor quality.

To ensure that this is not the case, new employees, especially those returning to the workforce from long-term benefit receipt should have the opportunity to take up meaningful work (and this does not imply the complex work as noted above) that has value to them, their family and society generally. For those on the lowest incomes to make their way into the core intervention on both the supply and demand side of labour is required, if they are not to live their entire life on the periphery.³⁸

The lack of the opportunity to work is a major hindrance to coming off benefits and making their way into the core, and the responsibility of creating those opportunities lies as much with employers and governments as it does with the individual. Responsibility is theirs to create opportunities for unemployed people to take up which provide security for the long-term. Responsibility is also theirs to create opportunities which provide income enough to meet the challenges of day to day living, or in the least not deny other opportunities to do so. The responsibility is also theirs to allow room for growth and development so as to continue the cycle of employment and productivity. Research from Anglicare member the Brotherhood of St Laurence has shown that the line of sight to the next step in professional growth is as important as the work that a person is doing.³⁹ If employers could develop a system of job creation – with the support of governments at every level – that provided an obvious pathway through employment intake, training, professional guidance and future capacity, those moving through the

Chart 5: Growth pattern of jobs requiring routine and non-routine tasks input, 1969-1999, USA



Source: Author, D. Levy, F. and Murnane, R. 2003, 'The skill content of recent technological change: an empirical exploration' Quarterly Journal of Economics 118, November; presented in a revised form in Levy, F. and Murnane, R. 2004, *The New Division of Labor: How Computers are Creating the New Job Market*. Princeton and Oxford, p 50.

34 Borland, J. (1998). *Earnings inequality in Australia : changes, causes and consequences*. Canberra: Australian National University, Centre for Economic Policy Research in Catholic Social Services Australia, Anglicare Australia, UnitingCare Australia & the Salvation Army. 2011. *What if employers say no?* Canberra.

35 Organisation for Economic Cooperation and Development. (2008), *Growing Unequal?: Income Distribution and Poverty in OECD Countries* accessed <http://www.oecd.org/dataoecd/44/47/41525263.pdf>

36 Catholic Social Services Australia, Anglicare Australia, UnitingCare Australia & the Salvation Army. 2011. *What if employers say no?* Canberra.

37 ACTU (2012), *Lives on Hold: Unlocking the potential of Australia's Workforce*, The report for the independent inquiry into insecurity work in Australia.

38 ACTU (2012), *Lives on Hold: Unlocking the potential of Australia's Workforce*, The report for the independent inquiry into insecurity work in Australia.

39 Brotherhood of St Laurence. 2011. *Line of sight: better tailored services for highly disadvantaged job seekers*. Melbourne.

system would return a greater profit to the company and therefore the economy than does the continuation of unconnected series of casual jobs.

Poor quality and limited work is another element of a broken system that has failed to support people who experience the worst societal conditions in Australia. Many are able to transition between unemployment and employment with little to no support and the period of support is often short. However, those who have been out of the workforce for the longest time, experience the greatest societal pressures, and have some of the worst life outcomes are also expected to do the worst work. Our affluent country is standing on the backs of a group of people who are the first to bear the brunt of economic downfall and the pressure of securing our economic future; and they're about to break.

The economic dimension of increasing employment is well understood. The growth in Australia's GDP is slowing⁴⁰ and it is widely agreed that there needs to be a big push in terms of productivity to protect that growth when the boom is over. One way Government has seen to achieve this is to actively engage more non-workers. A shift in the notion of welfare is now seeing many supporting parents and people with a disability moved from other allowances onto Newstart and expected to find work, while changing demographics is reflected in the push to get older workers, even retirees, also back into the workforce [Building Australia's Future Workforce].

But in times of low unemployment, it is those who are the least job ready, skilled or attractive to employers who remain marginalised and excluded. The economic benefits that come with drawing people into the work force in this case depend on substantial upfront investment. Much as the Gonski review has pointed to needs based funding for schools, Government and industry need to ensure the employment support system is non discriminatory and can respond to need and opportunity. In part that is about job services or something in their place, but it is also about a payment and compliance system that allows community connection and life-long learning to play a part.

Recommendation:

- That Government recognise that supporting people into employment is not merely a matter of getting people jobs but rather a matter of generating meaningful employment for people and ensuring that they have the capacity to take up those opportunities.
- Employment services are directed through contracts to work with business and community sector partners to identify opportunities for allowees that provide a line of sight to stable employment through a process of step-migration and long-term flexible support which increase as the duration of income support increases.
- Increased and innovative incentives to employers to increase the demand for labour. For example, broadening and increasing wage subsidy schemes; tax incentives for the long-term employment of a long term unemployed person; tax incentives upon demonstration of skill development for an employee from a disadvantaged background.

Conclusion

Often those in receipt of benefits, especially those who are on long-term benefits, come from an intergenerational history of disadvantage and unemployment.⁴¹ Lower levels of education combined with poor health, deprivation, stigmatisation and mental health conditions, as referred to previously, has led to a lower starting point from which to be able to acquire sustainable employment. Poverty is a great inhibitor to employment and research in Australia shows that for some families, namely those on Newstart⁴², poverty is persistent through generations.

40 ABS, 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Mar 2012, accessed at: <http://www.abs.gov.au/ausstats/abs@.nsf/mediareleasesbyTopic/D2AE2F9036885AB8CA2579B9000D24B1?OpenDocument>

41 David Black, Yi-Ping Tseng and Roger Wilkins (2005), *The causes of long-term income support receipt associated with unemployment*, Melbourne Institute of Applied Economic and Social Research. <http://www.melbourneinstitute.com/downloads/labour/7-08%20Final%20Report.pdf>

42 Ben Phillips and Binod Nepal (2012), *Going without: Financial Hardship in Australia*, NATSEM (Report to be published on 27th August 2012)

The truth remains that people who attempt to survive on Newstart are struggling. Many of the Newstart recipients receive the payment for long periods of time. Over that time their skills degrade and personal health, wellbeing and drive decreases. These factors contribute to a churn in and out of low-level employment for people which ultimately reduces their work capacity.

A direct result of living on the newstart payment over such long periods is the diminishing value of the payment itself. Not only will the value of the payment reduce over time, the longer one spends on the allowance, the less it is able to support them. As a result, people are further disenfranchised through financial exclusion, housing stress and public condemnation. Sacrifices are made to health and education, both of which impact on an individual's capacity to obtain work. Ultimately it is not only the individual or family that suffers as communities feel the effects of break-up as people move in search of more agreeable settings.

Fear is another attribute of living on the low payment of Newstart. Fear of mis-reporting. Fear of mis-handling of your reporting. Fear of being breached and taking several weeks to return to the starting point with the additional fear that if a crisis, or even a good event, arises because there are no means with which to cover it.

Exacerbating the effects of unemployment are the attributes of low-level work in Australia today. Research has shown that a poor quality can have worse effects on an individual than remaining in unemployment. It has also shown a substantial decrease in the type of lower-skill work that people on a low income might transition into with the majority of the work now available of an insecure nature and of poor quality. They experience significant churn if they are able to exit NSA, moving into peripheral jobs, which due to a combination of individual low work readiness after a period on NSA and poor workplace readiness.

Employers and governments have a responsibility, along with individuals, to generate market opportunities and jobs. In promoting the growth of human capital through line of sight employment and step migration employers who take on people from a disadvantaged background and foster their development will see greater returns on their investment than continuing with offering a series of unconnected insecure positions.

On that basis we recommend that:

- Governments recognise that for many in receipt of the Newstart payment, it is not a matter of a short term incentive measure but rather a long-term and complex issue, and to use this understanding as a basis for further policy development.
- Whilst recognising that increases in rental assistance may drive up the cost of rent in the long term, CRA should be increased immediately to relieve the current situation. Long term, this should be factored into increases in Newstart Allowance.
- The Newstart Allowance is set at a level which is sufficient to support an individual or family for an extended period of unemployment. And that this, and other payments, be set at that level by an independent body which takes into account the extenuating costs of living on a low income in an affluent society.
- That the current system of complex and confusing benefits is reformed over time to move towards one payment.
- Government recognise that supporting people into employment is not merely a matter of getting people jobs but rather a matter of generating meaningful employment for people and ensuring that they have the capacity to take up those opportunities.
- Employment services are directed through contracts to work with business and community sector partners to identify opportunities for allowees that provide a line of sight to stable employment through a process of step-migration and long-term flexible support which increase as the duration of income support increases.
- Increased and innovative incentives are provided to employers to increase the demand for labour. For example, broadening and increasing wage subsidy schemes; tax incentives for the long-term employment of a long term unemployed person; tax incentives upon demonstration of skill development for an employee from a disadvantaged background.

These recommendations are made in addition to those recommendations put forward by the Australian Council of Social Services (ACOSS). Anglicare Australia provides its full endorsement of the recommendations in the ACOSS submission.