

Dear Mr Watling,

I am writing in connection with the Senate Inquiry into the Adequacy of the Allowance System for Jobseekers and Others. I apologise for not making a submission before the Committee's deadline (4 August), but I was away overseas for most of June and July and only became aware of the Inquiry earlier this week.

The Committee may be particularly interested in the deliberations of a roundtable organised late last year by the Academy of Social Sciences in Australia and the H C Coombs Forum at the Australian National University, which explored the income security aspects of the Henry Report on the Tax and Transfers System. The roundtable, held in honour of the late Ian Castles AO, included senior officials from the relevant Commonwealth departments and agencies, academic experts from around Australia and some non-government people with long experience in the social security field. Our discussions were informed by commissioned background papers and led by experts who highlighted the key issues and the main data and analysis available.

I have attached copies of the summary report and the conclusions for the information of the Committee. These were sent to relevant ministers early this year; they are also in the public arena as they have been placed on the ASSA and Coombs Forum websites. I have also attached a copy of the speech I gave about Ian Castles' contribution in this area.

You will see that Section C of the summary report (ASSA Tax Paper 1), from page 10, addresses directly the issues which the Committee is examining. While there was no attempt to achieve a consensus at the roundtable on all these issues, you will see there was a widely shared concern about the adequacy of the Newstart allowance and scepticism of the argument that its low rate compared to age and disability support pensions was required to maintain incentives to work: the evidence suggests other levers are much more effective in this regard.

As someone who has worked in this field off and on since the Henderson Poverty Inquiry in the early 1970s, I might also mention my own views on these issues.

The current pension and benefit arrangements are lacking any clear coherence. There is a strong case for having a standard minimum income level for all those who cannot or are not expected to work. The Henry Report recommended greater consistency including standard indexing and standard variations for family size, but also suggested that those of working age able to participate in the workforce (the 'participation' group) receive lower payments than age and disability support pensioners. While these proposals would stop the current gap between payments from growing, the Report presented no evidence that the 'participation' group not able to work have lower needs, or that providing lower payments would lead to increased employment through increased incentives to find work.

More effective ways of ensuring sufficient incentives to work (than keeping benefits for the participation group lower than pensions) include the application of firm work-tests (particularly when employment opportunities in the economy are considerable), requirements to participate in subsidised jobs and training, and support programs such as childcare and education opportunities. Such sticks and carrots do not rely upon penalising those who

genuinely cannot find work.

The discrimination against the unemployed was exacerbated by the generosity shown towards the pensioner group after the Harmer Review in 2008. This measure, supported by both sides of politics despite declared concerns about the ageing population, about the need to rely more on self-funded superannuation and about the budget deficit, not only involved a huge cost but also widened the gap and made removing it more expensive and politically difficult. There were and remain much higher social security priorities than the level of pensions, including not just the adequacy of Newstart but also the adequacy of support for all those reliant on pensions, benefits or allowances who are in private rental housing.

The gap between Newstart and pensions is also introducing other major problems. Most obviously a substantial incentive has been created, not to gain employment but to gain eligibility for the disability support pension. In addition, measures such as introducing work tests for sole parents without very young children become highly problematic if those now required to look for work but cannot find it, get a substantial reduction in support (by going onto Newstart) despite their costs almost certainly going up.

In conclusion, I would see a measure to stop the gap growing as the absolute minimum step required right now (requiring a standard indexation factor). Removing the gap, however should be the aim and, as a start, a significant increase in Newstart is well justified now. I would also encourage increasing supplementary allowance for those in private rental housing, and action on the long overdue reform of public housing. I would have no objection to simultaneously tightening work tests and extending active programs to press unemployed people towards sustained employment. Nor would I object to applying a work test to sole parents whose youngest child is over 8 years, but they should stay on parenting allowance, not move to the lower Newstart, if they genuinely cannot find work. Further work should also be done to find the mix of sticks and carrots that is most effective for different groups to find sustained employment (this is an area we are exploring at present).

Yours sincerely,

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