

Submission to Standing Committee on Community Affairs, Legislation Committee, Inquiry into the Economic Inclusion Advisory Committee Bill 2023 [Provisions]

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I would thank the Committee for the invitation to make a submission on this Bill.

I strongly support the underlying concept of the Bill. There is an important role for a Committee such as this to provide advice to government on the question of inclusion in Australia. I consider however that some aspects of the Bill as currently drafted does not provide for this to be undertaken effectively. My comments are as follows:

Scope (subsection 8(2))

This is a substantial subsection, identifying a number of specific and general matters to be addressed in the Committee's Report ahead of Commonwealth Budgets. I consider there is merit in these being reviewed and clarified. Specifically, I raise below issues as to the clarity of the list, and whether all of the subjects are best addressed by the Committee. The question of clarity is important, given the Ministerial power under paragraph 8(6)(b) which allows directions limiting what the Committee may say in their reports to these identified matters. I address this paragraph of the Bill in more detail later in this submission.

Understanding 'economic inclusion'

The broad purpose of the Committee is to advise on 'economic inclusion', a term which is not defined. Essentially it can however be considered to involve two components. The first views economic inclusion from a production perspective, primarily through having the opportunity to participate in the paid workforce. The second considers economic inclusion from a consumption perspective, that is having the capacity to consume, at an adequate level taking into account the community they live in, the products of the economy. It can be considered that the more detailed list of elements in the Bill address both of these. Specifically a number, such as reducing barriers to work, directly relate to production engagement, while the consumption aspect is reflected both as a product of engagement in the paid workforce, as well as directly with regard to adequacy of income support. In addition paragraph 8(2)(g) introduces the question of inequality which has particular relevance as to how economic consumption inclusion is distributed across the population.

Missing/ill-defined elements of economic Inclusion

There are a number of aspects of economic inclusion which could benefit from more explicit referencing in the scope:

- Education. In large part the matters currently identified appear to be concerned with the immediate economic participation of persons of workforce age, although this tends to be implicit, rather than explicit. A substantial body of evidence however emphasises that many of the factors associated with economic exclusion stretch back throughout a person's life, including very directly their early childhood learning experience and formal education. If the Committee is to be effective in achieving long term improvements in economic inclusion it is important that this aspect be specifically identified as being within scope.
- Childcare, including a more comprehensive approach to schools ensuring that Outside School Hours Care is available, plays an important role in enabling economic engagement for those with responsibility for younger children. Again explicit reference to policies and programs relating to this should be made.
- It is unclear the extent to which industrial relations, employment conditions and rates of pay, fall within scope. Again these are critical elements of economic inclusion and should be identified.
- Transport. While recognising this is primarily a state responsibility it is a significant issue, and the committee should have scope to make findings that the Australian Government pursue this with the states.
- The relationship between monetary policy and economic inclusion is not mentioned. To the extent that deliberate monetary policy decisions can directly, and indeed deliberately, induce economic exclusion, this should obviously be an issue for attention by the Committee.

While it might be that the Parliament will consider that some of these are out of scope, then it is appropriate for the exclusion to be specific rather than leaving the scope ill-defined.

Are all of these elements appropriate?

An additional question which should be considered is whether all aspects of economic inclusion are best allocated to this Committee and the way in which it is proposed that it operate. I would suggest that there are essentially three aspects to the work as defined in the Bill:

- Policies related to workforce participation.
- The adequacy of income support payments.
- Reporting on trends in inequality.

I consider there is a strong case for the second and third aspects to be excluded from the work of the committee, as follows:

Adequacy of income support

While this is a critical issue, it is unclear that it is best dealt with by annual reporting for the budget preparation. The key problem with existing arrangements is that while the Age Pension, Service Pension, Disability Support Pension, Parenting Payment Single and Carer Payment are adjusted both for prices and benchmarked against MTAW to maintain relativity with earnings, other payments are simply indexed for price changes. This has resulted in these falling well behind increases in community living standards. Correcting for this I consider should not be undertaken through ad hoc budgetary processes – implicit with this function being part of the ambit of this Committee reporting into the budget process – but rather need to be appropriately set, and then benchmarked to account for both price movements and relative living standards. Under these circumstances, as with

pensions, only relatively infrequent reviews are required, such as the 2009 Harmer Pension Review (Harmer 2009).

Reflecting this the more appropriate step with respect to the adequacy of income support is to establish a specific one-off committee to examine the rates and recommend an appropriate benchmark for the payments, and an adjustment process which will reflect the two elements used for Pensions.

In recommending this approach I again emphasise that this is an important, and indeed a critical issue for many Australians, and in defining the type of society we aim to be. It is for this reason I think it should be tackled on a systematic basis, rather than being addressed on an ad hoc basis in the budget process.

Reporting on trends in inequality markers

The proposed scope of the work of the Committee in this regard is to report on “the trends of inequality markers in Australia and international comparisons” (paragraph 8(2)(f)). This, as formulated, is a statistical reporting function and not a deliberative advisory function. For this reason, if the intent is that the Committee is restricted to just reporting on trends, it would be best placed in an agency such as the Australian Bureau of Statistics, which would also be explicitly tasked with the responsibility to generate appropriate Australian data on an annual basis for this reporting.

The alternative would be to change the wording of the paragraph to allow the Committee to provide advice on policies and programs which they consider may be required in response to any trends.

Membership (section 11)

I consider that the current approach of appointing members “as representatives” of particular organisations and interests is not a productive approach.

While there is clear merit in having a membership drawn widely, and from a range of different viewpoints and interests, the appointment of members as “representatives” significantly narrows their role, the dynamic of the Committee, and the extent the Committee can form any consensus view on advice to government. This is reinforced in the Bill by the non-payment of the members which again clearly places them in the role of representatives.

This question is particularly important noting that a number of the bodies from whom these members are drawn are organisations which are likely to make their own pre-budget submissions. As representatives of these organisations these members are hence likely to be effectively responsible for seeking to have the perspectives of these submissions reproduced in the report.

Under these circumstances either the Committee would be required to arbitrate between the interests of these parties, or be prepared to have a range of dissenting reports. I would firmly argue that such an arbitration role between representatives is a responsibility of government, not of the Committee.

This structure is also quite contrary to the Minister’s claims that: “This bill will ensure there is an enduring mechanism for government to benefit from independent, expert advice” and “this committee is independent” (Rishworth 2023). While it might be independent of government, those

“representative” members are not independent of the organisations whose interests they are there to represent.

I would strongly urge that the basis of membership be individual, based on their expertise and capacity to contribute, including reflecting diverse elements of the Australian community. To the extent there is desire to ensure that some specific elements are included, then this could be achieved by approaches such as ‘at least one member with a background in xyz’, or through a process where some of these interest groups are asked for names of persons they would suggest to be appointed in an individual capacity.

Ministerial direction (subsection 8(6))

I would support paragraph 8(6)(a) and note that this is consistent with the statement in the explanatory memorandum “The ability to direct the Committee ensures that governments can leverage the expertise of the Committee in priority areas of Government. This might be with respect to certain cohorts or a specific region, or in response to a particular economic event” (p.7).

However paragraph 8(6)(b) is troubling, and should be rejected. The difficulty I see with this clause is that while notionally it only empowers the Minister to act with respect to the any material which does not address the specific items in subsection 8(2), the multiple interpretations of what the terms used in this subsection, including of course the actual concept of economic inclusion, does not provide any clarity as to what is or is not compliant. As such the exercise of this power is likely to result in a stalemate of interpretation: of a Minister saying that a particular aspect of a report does not address one of the specified matters, while the Committee considers it does. Since however the Committee is required to comply with a direction, it is essentially a Ministerial power to censor anything which the Minister deems is not addressed in subsection 8(2), without regard to whether in fact it does.

If this clause is to remain, an additional clause should be included requiring any such Ministerial direction to be published on the Departmental website, or if the Parliament prefers, to be tabled.

Publication (subsection 8(9))

While this refers to the receipt of a ‘report’, the requirement to publish only related to ‘findings’. As the formal findings of a report are frequently quite limited, as opposed to the detailed investigation and evidence, it would be more appropriate for the reference to ‘findings’ be replaced with ‘report’.

Allowances (section 14)

Noting my earlier discussion related to membership, I consider that the non-remuneration of members reinforces the primary role of some members as paid representatives of particular interest groups, rather than as committee members who are seeking to collectively provide informed advice.

In addition, notwithstanding the provision of staffing to assist the Committee (s26) and the allocation of funding “to support its own research, [and] under consultations” (Rishworth 2023), membership of the Committee, if individuals are to make a real contribution, is likely to place a significant time burden on members. This should be borne by the Australian Government, not their existing employers, if they have one.

The government should consult with members of the interim committee to gain some insight into the appropriate period of time for which remuneration may be appropriate.

Recommendations:

I consider that an independent economic inclusion Committee be established, but that the Bill be amended so as to:

1. Define the scope of economic inclusion more clearly.
2. Consider the allocation of questions of:
 - (a) payment adequacy of income support to a specific review tasked with establishing benchmarks for these payments and indexation arrangements to ensure that they both maintain the real value of support and reflect changes in community living standards.
 - (b) reporting on trends in inequality to the Australian Bureau of Statistics, along with an obligation to collect data to enable this to be reported on annually.
3. Replace the concept of representation in the membership of the Committee with independence.
4. Remunerate the members for the time they will be required to devote to the committee and its work.
5. Limit the scope for Ministerial direction to exclude certain considerations, and make the process of any direction transparent and public.
6. Clarify that the full report, and not just 'findings' are to be published.

References:

Harmer, Jeff A. 2009. Pension Review Report. Canberra: Department of Families, Housing Community Services and Indigenous Affairs.

Rishworth, Amanda L. 2023. Second Reading Speech, Economic Inclusion Advisory Committee Bill 2023, 19 October 2023. Canberra: Parliamentary Debates, House of Representatives.