



St Vincent de Paul Society
NATIONAL COUNCIL *good works*

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Date: 7 September 2012

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***Answers to further questions on Notice asked
by Senator Siewert for the inquiry into
“The adequacy of the allowance payment system for
jobseekers and others, the appropriateness of the allowance
system as a support into work and the impact of the changing
nature of the labour market”***

Senator Siewert asked for two further questions on notice from the St Vincent de Paul Society. We provide answers to those questions below.

1. If people are afraid to leave NS and enter insecure work, but yet most of the work around now is insecure, do you think that is actually contributing to long-term unemployment?

Whilst we cannot quantify whether the combination of Newstart and insecure work contributes to long-term unemployment what we can say, with confidence, is that the inadequacy of Newstart (in terms of both income and specialist support) combined with the insecure and low-paid nature of the low end of the labour market, contribute to long-term poverty.

Nonetheless, there are certainly suggestions that due to the increase of insecure work, that people on Newstart weigh up the security of the potential work against the risk of becoming ineligible for income support in the future.

As mentioned in our submission and in the study of Eve Bodsworth (http://www.bsl.org.au/pdfs/Bodsworth_Making_work_pay_2010.pdf) Newstart recipients took into consideration the following factors when determining whether to enter into the (insecure work) labour market or stay on the Newstart:

- The unreliability of casual work and the implications of irregular and uncertain shifts.^[1] In particular the risk of taking up irregular casual without a guaranteed quickly reactivated safety net^[2] and the view of Centrelink (as it was then, now DHS) as “painful” and incompatible with short-term work as it requires a person to reapply once a job ceases. This often left a gap between the termination of employment and the recommencement of income support payments.^[3]
- The penalty under Centrelink’s rules for income support recipients it regards as having left work “voluntarily” or due to “misconduct”. Centrelink guidelines regarding “Unemployment Non-payment Periods” require staff to consider the “reasonableness” of the income support recipient’s decision, having regard to whether the work was unsafe or unreasonable demands were placed on the person. However, this system does not consider that many of the jobs available for unskilled workers are likely to be onerous, physically demanding and low-paid. They are also more likely to place employees in a vulnerable position in relation to unreasonable demands or harassment from employers.^[4]
- That Centrelink’s reporting requirements and income calculations are unsuited to non-standard forms of work.^[5]
- The loss of health care and pensioner concession cards.

^[1] http://www.bsl.org.au/pdfs/Bodsworth_Making_work_pay_2010.pdf, page 26.

^[2] http://www.bsl.org.au/pdfs/Bodsworth_Making_work_pay_2010.pdf, page 26.

^[3] http://www.bsl.org.au/pdfs/Bodsworth_Making_work_pay_2010.pdf, page 26.

^[4] http://www.bsl.org.au/pdfs/Bodsworth_Making_work_pay_2010.pdf, page 27.

^[5] http://www.bsl.org.au/pdfs/Bodsworth_Making_work_pay_2010.pdf, page 28.

2. What are the best ways to change the allowance system to better support people in insecure employment?

The Society believes that greater flexibility in reporting earnings to the Department of Human Services is essential in supporting people in insecure employment. Furthermore, the Society believes that Effective Marginal Tax Rate when moving from the allowance system into paid work needs to be taken into account by the allowance system. This could be done through by allowing income support recipients entering the paid workforce to retain their health care and pensioner cards for a period of time.

As recommended in our submission on the basis of the recommendation in the Bodsworth study (mentioned above), the Society believes that the Committee should adopt the following recommendations:

- Provide greater security by allowing all income support recipients to remain on the DHS system for 12 months commencing paid work. Therefore, if people became unemployed again (because of insecure work or otherwise), they would not have to go through an onerous re-application process and would not be subject to the ordinary waiting periods for the allowance.
- Abandon the system that allows allowance payments to be withheld for eight weeks if it is determined that the income support recipient became unemployed due to a “voluntary act”.
- Examine the ways to make income reporting requirements more flexible for income support recipients engaged in intermittent work.
- Allow income support recipients entering paid work to retain their health care and pensioner concession cards 12 months after job entry.