

Senator Gavin Marshall, Chair
Senate Education, Employment and Workplace Relations Committee
By email: eewr.senate@aph.gov.au

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Submission regarding the Social Security Amendment (Fair Incentives to Work) Bill (2012)

The Western Australian Council of Social Service (the Council) is the leading peak organisation for the community sector in WA, and represents around 300 member organisations and individuals, and over 800 organisations involved in the provision of services to individuals, families and children in the community. The Council has strong relationships with the community services sector and represents the interests of the sector and the communities they serve. The Council therefore is in a unique position to comment on critical social issues that affect members of the WA community — particularly those members who are disadvantaged and vulnerable.

The Council supports the Australian Council of Social Service's (ACOSS) submission to the Senate inquiry into the *Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012*.

In supporting the ACOSS submission, the Council would like to draw the Committee's attention to a number of matters that are particularly relevant to the situation for sole parents in Western Australia.

The Council contends that factors affecting the current Western Australian experience — including income inequality, the high cost of living and the gender pay gap — should be considered in this Inquiry, as should the matter of insecure work. The Council believes that due to the particular conditions facing Western Australians, the negative impact of the proposed cuts to the sole parent allowance will be exacerbated in our state.

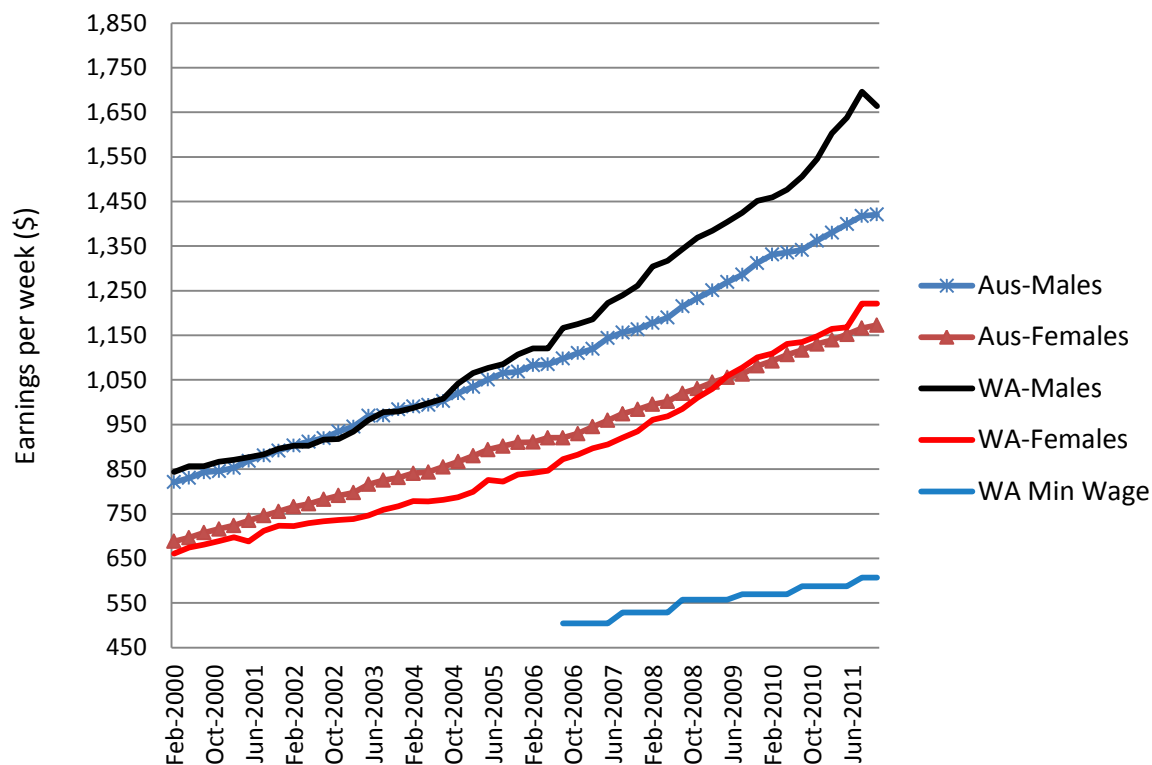
1. Income inequality

According to the Australian Bureau of Statistics' *Household Income and Income Distribution Survey 2009-10*, WA has the highest level of income inequality in

Ways to make a difference

the country, and the gap between those on fixed incomes and minimum incomes, compared with average weekly incomes, is growing.

Average Weekly Ordinary Time Earnings (AWOTE), Adults Employed Full-Time; & State Minimum Wage, 2011^{1,2}



The Gini coefficient is used worldwide as a measure of income inequality in a society. Zero indicates total equality, and 1 indicates maximal inequality. WA has the highest Gini coefficient of any State or Territory with a score of 0.367.³

2. Cost of living

It is widely acknowledged that rising living costs are a major concern for most Western Australians, but particularly so for those on low incomes.

Between 2009 and 2011, the cost of essential items such as food, utilities, health and public transport in Perth all rose by substantial amounts. The rise in prices is significant across utilities (electricity, gas and water) which are crucial to maintaining a decent standard of living. On the other hand discretionary items such as clothing & footwear, motor vehicles and household appliances have decreased in price, delivering benefits only to those who can afford them.

¹ Graph from presentation by Professor Alison Preston, *WACOSS Emerging Issues Community Sector Leaders Forum* (4 April 2012).
² State wage adjustments apply from 1 July each year; AWOTE % change calculated for year to May using seasonally adjusted data from ABS Catalogue 6302.
³ Australian Bureau of Statistics (30 August 2011), *6523.0 Household Income and Income Distribution — Detailed Tables, 2009-10*, Tables 1.1A – 1.1H.

2009-11 costs of essentials compared to discretionary items in Perth⁴

| Generally discretionary items | % change | Essential items | % change |
|-------------------------------|----------|----------------------------------|----------|
| Alcohol & tobacco | +13% | Food | +7% |
| Clothing & footwear | -1% | Rent | +7% |
| Household appliances | -5% | Electricity | +36% |
| Motor vehicles | -1% | Gas and other household fuels | +31% |
| | | Water and sewerage | +17% |
| | | Health | +9% |
| | | Public transport | +6% |
| | | Education | +13% |
| | | Insurance and financial services | +9% |

For low income and vulnerable Western Australians, the cost to access essential services such as electricity, water and gas, consumes a high, disproportionate percentage of their income. As a consequence, many are unable to pay utility bills on time and without additional assistance, end up in debt or, in the worst cases disconnected from an essential service.

Housing costs represent a substantial proportion of weekly household budgets in Western Australia, and is a key driver of cost of living pressures in WA.

Due to the shortage of social housing stock and the unaffordability of homeownership, many low income families are forced to rent in the private rental market. Rental costs in Perth and across regional WA remain at historical highs, with the private rental vacancy rate falling to 2.3%. Real Estate Institute of WA (REIWA) data indicates the median weekly rent for Perth in the December 2011 quarter was \$400 per week – an increase of 8.1% from 12 months earlier. This median weekly rent also represents 65.9% of the 2011 weekly WA State Minimum Wage – and an even greater percentage for those on fixed incomes. Furthermore, rents in regional centres and towns across the Pilbara and Kimberley continue to far outstrip those in the metropolitan area.

Earlier this year, the results of reviews of rental affordability in WA – undertaken by two community organisations – were published. In April 2012, Anglicare WA announced that, after analysing print and online advertisements for 3,828 private rentals across the state, only 29 properties were affordable for people on benefits or pensions; less than 1 per cent of the market. The study concluded that “[t]he level of income received by people on pensions and benefits is clearly inadequate to deliver housing within the accepted rate of affordability”.⁵ They found that the majority of affordable properties were

⁴ Australian Bureau of Statistics (September 2011) *6401.0 Consumer Price Index Cat*, Table 13 (Perth).

⁵ Anglicare Australia (2012) *Rental Affordability Snapshot: Anglicare WA, Western Australia*, Available at: http://www.anglicarewa.org.au/sites/anglicarewaorgau/assets/public/File/Rental%20Affordability%20Snapshot%202012%20-%20Mini%20Report%20_final_.pdf, Accessed on: 24/7/2012.

located in the South of WA. In their media release 'Working Families Can't Pay the Rent' they stated:

For the first time the capacity of minimum wage earners to pay market rents was included in the review. It was discovered that less than 2 per cent of the market was affordable for families on a minimum wage in Perth. These results demonstrate that the issue of rental affordability extends beyond just those on benefits and is a serious problem for minimum wage earners too.

Anglicare WA CEO Ian Carter said "This is our first look at the rental market from the perspective of minimum wage earners and the results are bleak. These are self-sufficient individuals and families who work for a living, but the market is climbing too steeply for them to keep up".⁶

In the north of the State not a single property was found to be affordable to families – including those with two earners on the minimum wage. The average weekly rent across the Pilbara and Kimberley was a staggering \$1374 per week.

These results reflect similar findings to the study conducted a month earlier by the Community Housing Coalition of WA, which assessed rental affordability for workers on the WA State Minimum Wage and a selection of retail workers. Their study showed that it was not just people receiving Centrelink benefits that are struggling in Perth's tight rental market. The analysis of the 2,400 properties listed on the REIWA website revealed that just 12 rentals were affordable to an adult on the WA State Minimum Wage and just 26 were affordable to a full time retail employee receiving the maximum award rate of pay for their industry.

The increased cost of living in WA is such that it has led to *even middle income individuals and families* to be struggling financially, placing increased pressure on community service organisations that are geared towards those on lower incomes. If *Schedule 1* is passed, resulting in sole parent families losing some or all of their income support, these families will be pushed into even greater housing insecurity and will become further entrenched in poverty — two factors which are not conducive to them obtaining ongoing and secure employment.

The Council is concerned that the rate of income support available to single parents on the NewStart Allowance is now so low, relative to the cost of living, that it in fact constitutes a significant barrier to workforce participation, not an incentive. Single parent families in Western Australia are increasingly being forced to seek affordable housing further out on the urban fringe or in rural and regional communities where they face significant logistical challenges in

⁶ Anglicare WA (30 April 2012) *Media Release: Working Families Can't Pay the Rent*, Accessed at: <http://www.anglicarewa.org.au/news/article/30042012-56/working-families-can-t-pay-the-rent.aspx>, Accessed on: 4/5/2012.

accessing labour markets (including availability and affordability of child-care, affordability and access to transport, employment services and other community services, and internet and phone access, to name a few).

3. Gender pay gap

In its submission to this inquiry, ACOSS identified that

*[b]ased on recent OECD child poverty estimates⁷ around two thirds of the children of the 50% or so of sole parents with no earnings who rely fully on social security payments are already be living below the poverty line. **Over 90% of these sole parents are women** [emphasis added].*

At present, Western Australia has the largest gender pay gap of any state in Australia, a gap much larger than the national average. In November 2011, Western Australia recorded a gender pay gap of 27.7% compared to the national average of 17.6%.

The national gender pay gap has remained relatively constant for the last two decades, fluctuating between 15% and 17%, whereas the gap in WA has increased significantly.

The ACOSS submission to this inquiry has identified a range of ways in which the cuts to the payments of income of sole parents will have a severe impact on thousands of families across Australia. The Council contends that due to the particular conditions — income inequality, cost of living and gender pay gap — being faced in Western Australia (as identified above) the impact of the proposed cuts to the sole parent allowance will be further exacerbated.⁸

4. Insecure work

As ACOSS have pointed out in their submission to this inquiry, there is no evidence to suggest that reducing allowances will increase employment among sole parents.

The Council refers the Committee to the recently released report of the *Independent Inquiry into Insecure Work in Australia*. The Chair of the inquiry, Brian Howe, described in his foreword, the situation for people employed on insecure work arrangements:

⁷ OECD (2011) *Doing Better for Families*, Paris. The poverty line used was 50% of median household income.

⁸ These matters were addressed in greater detail in the Council's submission to the Western Australian Industrial Relations Commission's State Wage Case in May 2012 (available to view at http://www.wacoss.org.au/policy_and_advocacy/cost_of_living/employment_and_wages.aspx).

If their skills are low, or outdated, they are not offered training through work. They shift between periods of unemployment and underemployment that destroy their ability to save money.

Their work is not a “career”; it is a series of unrelated temporary positions that they need to pay rent, bills and food.

For them, flexibility is not knowing when and where they will work, facing the risk of being laid off with no warning and being required to fit family responsibilities around unpredictable periods of work.⁹

The Inquiry recommended that

The Federal Government recognise the need for a broader focus on work-life transitions, rather than the narrow preoccupation with the transition between unemployment and employment that has led to a focus on “welfare-to-work” initiatives.

Significantly, Australia has one of the highest rates of part-time work in the OECD, and

- Over two thirds of part-time workers are women;
- Most part-time jobs in Australia (55%) are casual jobs;
- Women are disproportionately represented in casual work, with 28% of all female employees working in casual employment, compared to 20% of male employees; and
- Over half (56%) of casual employees are women.¹⁰

Further, given the estimate that 40% of Australian workers are in insecure employment, it is likely that the issues identified by this Inquiry will apply to those sole parents seeking employment as a result of this policy change.

Sole parents are especially reliant on part-time and casual work, and so have been particularly affected by the increase in workplace insecurity in the labour market. Due to their background and circumstances (including time out of the workforce caring for children) those reliant on the sole parent pension are also more likely to be represented in low-skilled employment including the caring, retail and hospitality sectors. For many the opening up of ‘workplace flexibility’ has in practice meant greater flexibility for the employer and greater uncertainty around both working hours and weekly income.

⁹ Independent Inquiry into Insecure Work in Australia (2012) *Lives on Hold: Unlocking the Potential of the Australian Workforce*.

¹⁰ ACTU (2012) *Insecure work, anxious lives: the growing crisis of insecure work in Australia*, Accessed at: <http://securejobs.org.au/wp-content/uploads/2011/09/Launch-paper.pdf>, Accessed on: 25/7/2012.

The changing nature of work and its impact particularly on women and people from culturally and linguistically diverse backgrounds needs to be taken into account in considering this legislation. In particular, the lack of accessible, affordable and flexible childcare needs to be considered, as this can be a major obstacle to employment for people seeking to re-enter the workforce.

In relation to child care, the Coalition of Australian Governments have committed to implementing the National Quality Framework —

*an important reform which will deliver a higher standard of care for children in the critical areas of education, health and safety and will provide clearer and comprehensive information for families so they can choose the best services for their child.*¹¹

Those reforms are underpinned by a recognition that “early childhood experts and professionals maintain that quality is critical when it comes to early childhood education and care.” It is concerning to WACOSS that the Federal Government Department responsible for this agenda can propose to this Inquiry that

*Where formal child care is not available, informal arrangements such as care by family or friends or allowing an older child to be unsupervised for a time may be considered. However, if the parent decides that this is not appropriate, then they do not have to take or remain in the job.*¹²

Such a proposal seems to suggest that sole parents will be encouraged to accept any standard of care if it helps them to get a job, rather than sharing in the aspiration that all children should be provided with the highest quality care.

The Council contends that the interaction between the changing nature of work (and workforce participation), and reporting requirements within our social security system, contribute significantly to

- High levels of family stress faced by single parent households;
- High rates of churn in their workforce participation; and
- High numbers who find themselves inadvertently in breach of their Centrelink reporting obligations.

¹¹ Department of Education, Employment and Workplace Relations (2011) *National Quality Framework for Early Childhood Education & Care* Accessed at: http://www.deewr.gov.au/earlychildhood/policy_agenda/quality/pages/home.aspx, Accessed on: 25/7/2012.

¹² Department of Education, Employment and Workplace Relations (2012) *Submission to the Senate Education, Employment and Workplace Relations Legislation Committee Inquiry into the Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012*.

Further information about WACOSS or on the information provided in this submission can be obtained from _____ ,

Yours sincerely,

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