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Committee Secretary
Senate Standing Committees on Education, Employment and Workplace Relations
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Dear Committee,

Thank you for inviting the ACTU to appear at your Melbourne public hearing for the allowance payments inquiry. We trust that the information we provided was of use to the Committee.

At the public hearing, we took two questions on notice. I indicated at the time that we may not be able to answer these questions, due to the lack of appropriate data. Unfortunately my suspicion has proven correct. Both questions related to the transitions between employment and Newstart Allowance; the ACTU does not currently have access to data that would allow us to answer the questions. The questions that we took on notice are reproduced over the page.

The Committee Chair also asked the ACTU a question regarding comparisons between Australia's unemployment benefits and those in other OECD countries. Senator Back referred to some information provided to the Committee by the Parliamentary Library which suggested that "the most likely apples-with-apples comparison for Australia would be with the UK and New Zealand". While we have not seen the material provided to the Committee by the Parliamentary Library, I would like to supplement the answer we provided to the Committee at the time.

It is true that Australia's income support system has more in common with those of New Zealand and the UK than it does with the benefit systems in some other OECD countries. However, replacement rates for single unemployed people in those countries are still well above Australia's replacement rate (when other benefits such as housing are included). OECD data shows that a single unemployed adult without children in Australia has an income equal to 29% of the average wage; the comparable figure in New Zealand is 35%, while in the UK it is 38%.

Based on these ratios, we estimate that it would require a \$50.66 per week increase for Australia to have the same replacement rate as New Zealand and a \$76 per week increase for Australia to have the same replacement rate for the United Kingdom. Even when these countries are used as the comparators (rather than the broader group of OECD advanced economies), Australia's unemployment benefit is low.

It has also been noted in the course of this inquiry that Australia's unemployment benefit is not time-limited, unlike the payments in some other OECD countries. The ACTU does not agree that this fact means that the low payment rate is of diminished importance. It is of little comfort to a worker who loses his or her job and must get by on \$35 per day to know that this payment will not be taken away from them at some future time.

I would also like to take this opportunity to bring to the Committee's attention an error in our written submission to this Inquiry. Our submission includes a chart titled 'The Changing Composition of Employment' as Figure 58 on page 59. The chart accurately reflects the underlying ABS data. However, we have accidentally mislabelled a segment of the chart. The part of the chart labelled 'part time, with paid leave' should in fact be labelled 'full time, without paid leave' and vice versa. The labels on these parts of the chart were unintentionally reversed during the production of our submission. We regret the error.

Yours Sincerely,

Tim Lyons,
Assistant Secretary

Question 1: Senator Siewart asked about the number of people in insecure employment who also receive income support.

Senator SIEWERT: I particularly want to go to the issue of insecure work. You have done a lot of work in that space. A lot of submissions have referred to it but we have not talked about it in a lot of detail, so I would like to go to that. Drilling down a little bit more into that process, do you have an idea of the quantum of people who are currently in the insecure work area who are in the allowances system?

Question 2: Senator Gallacher referred to the number of people who involuntarily cease a job in each year and asked how many of those people then move onto Newstart Allowance.

Senator GALLACHER: You mentioned the ABS stats of 900,000 people involuntarily ceasing work, out of 11 million. Do you actually know how many then go onto Newstart and how many get a job word of mouth and move on? We know there are about 580,000 on Newstart, but at least 40 per cent of them are on it for more than 12 months. The department tells us that Newstart is working because 60 per cent of people are only on it for 12 months. Do you have a comment on that?