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Submission to the
Senate Education, Employment and Workplace
Relations Legislation Committee inquiry into the
**Social Security Amendment (Supporting More
Australians into Work) Bill 2013**

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Attachment

Social inclusion, income inadequacy and work security compendium 2012 - 13



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Anglicare Australia

Anglicare Australia is a network of 45 independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the faith that every individual has intrinsic value. Our services are delivered to one in 45 Australians, in partnership with them, the communities in which they live, and other like-minded organisations in those areas. In all, over 23,000 staff and almost 16,000 volunteers work with over 500,000 vulnerable Australians every year delivering diverse services, in every region of Australia.

Anglicare Australia welcomes the opportunity to comment on the Social Security Amendment (Supporting More Australians into Work) Bill 2013 and contribute to the inquiry.

Kasý Chambers
Executive Director
Anglicare Australia

The purpose of our comments

If passed this Bill would make a number of welcome amendments to the Social Security Act.

It is important that Parliament recognises why these amendments are needed, gains insight into the circumstances of the people affected by them, understands the real dimensions of hardship faced by so many people on Newstart and their families, and acknowledges the profound need for a more fundamental change.

The comments below draw extensively on research conducted across the Anglicare Australia network, the wide-ranging experience of our members, and the voice and insights of Anglicare clients to make that case.

Please find attached also a compendium of Anglicare Australia's recent research and analysis in this field, where you will find brief summaries of the key finding and arguments we have made in that work and links to the complete documents.

The value of these amendments

Anglicare Australia has brief comments to make regarding the three specific measures in this Bill.

The first measure increases the income free area for a number social security allowances including Newstart Allowance and Sickness Allowance. The existing point at which allowances are reduced is where earnings reach \$62 a fortnight. Given current pay rates and purchasing power, this is a very small amount. The shift to \$100 a fortnight, while still quite low is a real improvement. The decision to index this amount is significant in that it will protect the value of the increase, such as it is, bearing in mind that the failure to fairly index the Newstart Allowance itself has contributed to its decline in value.

We note that the interplay between allowances, concessions, income tax rates is remarkably complicated, and the effective marginal tax rate will still catch many people as they move towards full time or better paid work.

Anglicare Australia also draws the attention of the Committee to the complex process that go through in order to accurately declare any extra income they expect to make, and would suggest that this is at least as much a disincentive to take on part time casual work as any issues around the taper rate of earnings and allowances.

Nonetheless, as Eve Bodsworth found in her [PHD research](#) in Victoria, people will seek work even where the financial benefits are uncertain or even negative.

The other two measures in this Bill would seem to transfer assistance and encouragement that was available to supporting parents who were on parenting payment (single) but have been moved onto the less generous Newstart Allowance over the past few months. While the education supplement and the extended concession are undoubtedly valued by those who take advantage of them we can only conclude that these amendments are simply fix ups designed to make the process of shifting parents to Newstart seem a little kinder. Extending eligibility for the Pensioner Education Supplement (PES) to single principal carer parents receiving Newstart Allowance clearly passes on a supplement that was available to parents when they were in receipt of the parenting payment while the twelve weeks extension of the concession would seem to soften the shift of that same allowance.

It is not, and never has been, Anglicare Australia's contention that there should be different classes of parents – depending on when they first had children - entitled to more or less support. Rather we have argued over the years that the allowance system should be fair and income levels adequate. These amendments are welcome, but they do not get to the heart of the underlying issues of hardship and inequity that are bound up in the allowance system.

Inadequate income

The Australian Government's Newstart and Youth allowances are inadequate. It is as simple as that. The Parliament itself agreed to the position in supporting, unopposed, [a motion to that effect](#) last month.

Anglicare Australia, along with relevant academic, leading business figures and almost all other social service providers in Australia, has long argued that these allowances need to be increased. And that their diminishing value against both pensions and wages is callous and unfair.

Comments made by the Business Council's Jennifer Westacott and Professor Peter Whiteford, from the Crawford School of Public Policy ANU (among others) at and around 2011 Tax forum – making the point that the level of hardship and poverty works as a barrier to employment – are particularly pertinent. This marked the point at which the debate began to shift away from whether allowances were inadequate to the consequences of such inadequate income.

Going without

The Education, Employment and the Workplace Relations References Committee's 2012 inquiry into the adequacy of the allowance system offered a more substantial opportunity for Parliament to understand the urgent need for change. Anglicare Australia provided the Committee with evidence of the real experience of people living on low incomes.

Bringing on board our social justice partners — Catholic Social Services Australia, UnitingCare Australia and The Salvation Army — Anglicare Australia commissioned a research report from the National Centre for Social and Economic Modelling (NATSEM), that investigated how people living on low-incomes manage in their circumstances. [Going Without: Financial Hardship in Australia](#), the NATSEM research, looked at how people live, how they spend their money, how they stretched and shared their resources, and what they missed out on. It was a household view of financial hardship that respected the decisions people made in real life.

NATSEM has a solid reputation for the quantitative and analytical evidence it generates on social and economic policy issues. Drawing on data from the Australian Bureau of Statistics Household Expenditure Survey and the STINMOD model of static micro-simulation, *Going Without* demonstrated that people living on Newstart Allowance are literally going backwards, spending 122% of their income to get by. They are five times more likely to be living in poverty than people of other income types, with their rates and indicators of financial stress and deprivation much higher than the rest of the population.

Putting meat on the bones of Business Council of Australia comments at the Tax Forum, *Going Without* found 65% of Newstart household expenditure is on basic items leaving very

little in real terms for “discretionary” items such as phone bills, training and clothing suitable for interviews and job hunting.

Going Without was the only research commissioned specifically for the inquiry and was tabled at the Senate hearing. The Committee’s report cited it directly as having “clearly demonstrate[d] the extent to which families living on Newstart experience poverty.”

Food insecurity

One of the key indicators of poverty and hardship is food insecurity.

Anglicare Australia conducted a national study on the experience of food insecurity among people seeking emergency relief at 63 sites across Australia last year. The report, [*When there's not enough to eat*](#), was published in Anti-Poverty Week in October 2012.

The survey findings were sobering. About 45,000 households using Anglicare emergency relief services don’t have enough money to adequately feed their families and, of that group, adults in 22,000 households go without food for a whole day, most weeks. The research clearly indicated that parents try to protect their children by deliberately missing meals themselves, but nonetheless there are children going without food on a regular basis. It was also clear that people on income support payments like Newstart and the Disability Support Pension are at the highest risk of going without food and that unexpected expenses such as a high power bill, rent increase or car repairs can make people food insecure because food is often the only discretionary item in their weekly budget.

The people we interviewed told us a lot about how they coped, and how food insecurity affected them: people avoiding having friends for coffee because they didn’t have a biscuits to offer; kids not going to parties because they can’t reciprocate; mothers hiding food for their children for later in the week when all the money has gone; and children being kept home from school on days when there was nothing for their lunch box.

It is all the complexities around being disconnected from the ordinary world around you — the social exclusion articulated in the report — which convey the experience of being food insecure in modern Australia. And it is the relationship between food insecurity and inadequate income that was most evident in our study. [See also the attached Compendium.]

That's why, in its new [*National Food Plan*](#), the Australian Government points to the 2009 increase in the Age Pension as a measure that significantly improved food security for those people. However the Plan is silent on the clear implication that unemployed households (including a growing number of single parent families) are at increased risk of food insecurity because Newstart payments are so much lower than the pension, and getting lower all the time.

Food insecurity is a problem right across the developed world. In the same week that the Australia national food plan was being discussed in [Senate Estimates](#), the alarm was raised over the growing dependence of half a million people on food aid in Britain. As Oxfam CEO Mark Goldring put it in the [Guardian](#), recent cuts in income support in Britain are "leading to destitution, hardship and hunger on a large scale."

The problem is more insidious in Australia. For the past 20 years Australian governments have simply allowed the relative value of the Newstart and Youth allowances here in Australia to diminish. It is fair to describe this as welfare cuts by stealth. And while it is perhaps a smaller proportion of our population being trapped in deprivation than we see in Britain, Anglicare Australia's concern is that this seemingly smaller population group consequently may be too easily disregarded or ignored.

The extent of poverty

The paradox is that despite Australia's affluence and wellbeing, the number of people struggling on the lowest incomes is nonetheless a significant and growing number.

Anglicare Australia was a partner under the ACOSS banner in the commissioning of [Poverty in Australia](#), a national measurement of Australian population groups living below the poverty line, first published in October 2012 and updated in March this year.

The key finding of the report was that in 2010, after taking account of housing costs, an estimated 2,265,000 (12.8%) of all people in Australia, including 575,000 (17.3%) of all children, lived in households below a poverty line set at 50% of the median (middle) disposable income. That included 63.3% of people in unemployed households. Of particular concern is the finding that over half of all people living in poverty are children, and almost half of those children are in one-parent families. (See also the attached Compendium.)

Bearing in mind that the analysis is drawn from 2010 data, we can be certain that this year's shift of many thousand lone parents from parenting payments to the lower and less flexible Newstart Allowance is accentuating the hardship experienced by many children.

Available work

It has long been the contention of Anglicare Australia that the barriers between benefits and work should be as soft and porous as possible to make movement into work (and where necessary back onto benefits again) as easy as possible. The amendments in this Bill will financially assist people on Newstart with part-time work as well as encouraging supporting parents to develop their work skills. These are practical measures that will make a real difference to many individuals without sufficient work and their families.

But they are not measures that address the underlying factors that trap people in poverty and unemployment. As the Australian Council for Trade Unions argued in [its submission](#) to the Education, Employment and the Workplace Relations References Committee's Allowance Inquiry

.. there are reasons for concern about some labour market trends beneath the headline figures. These concerning trends include the rise in underemployment; falls in male full time employment and the fall in full time employment among people with lower levels of educational attainment.

It is fair to say that in any economic downturn, or tightening, it is the people with the least resources and capacity who are most likely to be further disadvantaged and excluded. And so, while there is growing social pressure for people to find jobs, for those who have been out of work for the longest times there are fewer possibilities open to them.

The fall in job vacancies over the past year, as reported in DEEWR's monthly Vacancy Reports, is evidence of diminishing job growth across the board. And where there are vacancies, the quantum is much higher in those industries that require higher-order or specialised skills, as this table from the May [DEEWR Vacancy Report](#) makes clear:

IVI - Seasonally Adjusted	Index (Jan '06 = 100)	Monthly % change	Yearly % change	Number of vacancies
Managers	80.4	2.8	-15.0	21,058
Professionals	70.6	-0.4	-28.6	44,775
Technicians and Trades Workers	73.9	4.0	-26.7	21,008
Community and Personal Service Workers	88.2	3.7	-12.6	12,633
Clerical and Administrative Workers	54.2	2.9	-23.3	28,322
Sales Workers	57.8	-1.2	-16.1	16,122
Machinery Operators and Drivers	63.8	4.9	-25.9	8511
Labourers	45.4	10.0	-19.6	13,481

And so the increased pressure and decreasing opportunities available to people with limited work skills and capacities is a part of the structural change of the Australian economy.

Another way of looking at the available work is to look at the number of jobs and the number of people in the job market. Australian Bureau of Statistics (ABS) figures from November 2012 and May 2013 show 1.6 million people – equal numbers unemployed and underemployed – competing for a bit more than 800,000 jobs. All without factoring in the reality there are many people with more than one job, and not everyone looking for work has the necessary skills.

As always, there's another side to this equation. The Australian Government's Wage Connect program, which provides a wage and training subsidy for the long-term unemployed, has been a great success over the past year: with placements fully subscribed and almost half the long term unemployed still in work after the six months placement had ended, as DEEWR's [recent answer](#) to a Question On Notice makes clear.

The ABS analysis and the success of this wage subsidy scheme shows that the presumption that there is work available for those for people living on the (inadequate) Newstart Allowance is unfounded. And it is job creation, rather than welfare conditionality, that will make the difference.

[What if employers say no](#), a 2011 paper jointly released by Anglicare Australia, Catholic Social Services Australia, The Salvation Army and UnitingCare Australia, addressed this question in a disability context. Its key argument is that the structural change (referred to above) has increased the reliance of people living with disability on income support; and that if there is to be an effective response, both the private and public sector need to commit to creating appropriate employment. Anglicare Australia draws the Committee's attention to the disappointing performance of Government in this area over the past few years, with the Public Service Commissioner at the launch of a disability employment strategy last year [pointing out](#) himself that the proportion of Australian public service employees with disability has fallen from 5% to 2.9% since 1999.

It is also important to bear in mind that people on allowances, including very many sole parents, are pursuing every opportunity to work, even where it is not to their great financial advantage. [Anglicare Australia's submission](#) to the Social Security Legislation Amendment (Fair Incentives to Work) Bill inquiry in July 2012 made the point that

... almost 50% of Parenting Payment recipients also receive income other than the pension. As a rule this is income generated from employment. What that shows is that many recipients are already, admirably, seeking work and maximising their income and so (arguably) don't need to be driven back into the workforce.

In that submission we argued that as many of those same recipients were, nonetheless, already experiencing financial stress it made no sense to push them onto the lower Newstart payment. [See the attached Compendium]. And while the amendments to the Social Security Act that constitute this Bill soften some of the impact of this reclassification, the fact remains that single parent families, on Newstart in part or in whole, face endemic poverty and hardship.

There is an overarching issue regarding how the job market works; and for people facing multiple disadvantage, the transition from income support to adequate, secure employment can be a very complex one.

One of the key arguments Anglicare Australia made in its submission to the 2012 Howe Inquiry into insecure work (see [In and Out: the challenges of work insecurity](#), in the attached Compendium) is that the work available to people who have been unemployed for a

considerable time tends to be low quality and low security, with few benefits and little training and flexibility.

In those circumstances, the difficulties of negotiating the divide between inconsistent employment and the income support system often finds people trapped in cycle of unexpected expenses, financial hardship and ill health, with little hope of greater security nor the opportunity to make a more significant contribution to the communities of which they are a part.

Government needs to simplify and make less punitive the transitions in and out of income support, work and training to effectively assist people to shift to the more secure core of our economy. The Social Security Amendment (Supporting More Australians into Work) Bill 2013 however won't really support people into the work that they need.

Combating social division

The amendments to this Bill, while useful in themselves, can still fit comfortably into the common narrative that entrenched unemployment and social exclusion would disappear if people would only help themselves. After all, one could argue that these amendments remove disincentives to work and further education, and thus leave no excuse for the unemployed to 'choose' to stay unemployed.

As we have argued already in this submission, and on many other occasions, the reality of life in poverty on the margins of our society, as evidenced by Anglicare Australia's research and analysis, is complex, and there are structural inequities that lock people out. If the intention of Government policy were to address these inequities and promote change then the amendments in this Bill would need to be a part of a broader and more obvious plan that, rather than sheeting home blame to those who are living in poverty, takes on the economic and workforce barriers to full participation. This would involve, as we have argued, government working with business and others *per se* as the best solution to poverty and unemployment. It would also require a commitment to fair and adequate allowance system rather than a mere acknowledgment that Newstart is too low.

That is why Anglicare Australia welcomed the supplementary allowances for people on income support when they were introduced last year. Not because they lifted that support to an adequate level, because clearly they didn't. But because they were evidence that Government was prepared to take some action.

However, the Government's stated concern and acknowledgement that Newstart is too low did not translate into dollars at this year's budget, this Bill notwithstanding.

Anglicare Australia is concerned that the interest of the most disadvantaged is not a key priority in economic policy or political debate. There appears to be a shared presumption

that the Australian electorate overall could not support a rise in these allowances to a fairer level, on the basis (it would seem) that it is something we or they can't or won't afford.

More disturbingly, in his budget reply of May 16 the Opposition Leader identified cutting last year's supplementary allowances as one of the Coalition's savings on the basis that it was nominally funded by the mining tax. No reference was made to the impact this cut would have on the people on benefits, but it was packaged with another cut, to the low-income superannuation supplement, and sold to the listener as a way to fund wider tax benefits.

There has been some debate about the superannuation cut since then, but almost nothing has been said about the supplementary allowances.

That is an unfortunate and objectionable way to frame the choices government needs to make: in taking from the poor it can better look after the rest. The implication in that speech and subsequent response being that the interest of the majority of Australians is antipathetic to that of the most vulnerable and marginalised among us. It is our view of the Anglicare Australia that the morality of such a stance is unacceptable.

Reframing the question

Through a [national survey](#) conducted by the Australia Institute, Anglicare Australia asked across section Australian people how they thought income support allowances should be set. 60% of Australians of all ages and from all works of life, believe allowances should be set by an independent body at arms-length from Government. An even greater portion, two thirds, of all people surveyed believe the rate should be set to cover the cost of living, while another 18% believe it should be a proportion of averages wages (and so rise at the same rate.) Interestingly, while only 11% of all Australians surveyed (and only 1% of those living on the lowest incomes) support the idea that these rates should be set at a bare minimum, 24% of the most affluent Australian support the proposition. Whether, of course, people so well off understand what living on a bare minimum would be is a moot point.

It seems clear in our mind that given the political leadership, the Australian people overall would accept a move towards adequate income support set in a fair and transparent manner. Such a process would be both right and proper.

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