

CHAPTER 2

THE LEGISLATIVE PROPOSALS INCLUDING PARENTING PAYMENT AND MATURE AGE NEWSTART RECIPIENTS

Introduction

2.1 This chapter discusses the various measures proposed in the Family and Community Services Legislation Amendment (Australians Working Together and other 2001 Budget Measures) Bill 2002 (the Bill). It focuses primarily upon the nature of the participation requirements for parents and mature age Newstart Allowance recipients and the nature of the penalty (breaching) provisions provided for these groups under the Bill.

2.2 *Participation requirements for parents* – from July 2003 people receiving Parenting Payment whose youngest child is aged 13 to 15 years will be subject to a participation requirement to help them to prepare for a return to work and to help them access services to acquire or improve their work skills. The requirement will be to undertake one or more activities such as job search, education, training or community work for up to 150 hours in a 6 month period. The new participation requirement will not apply to parents caring for a child with a serious disability. If a person has not complied with the requirements under a participation agreement then a penalty will be applied. The person's compliance will then be monitored at shorter intervals until the person complies. Compliance with the terms of an agreement will trigger waiver of a breach penalty.

2.3 *Participation requirements for mature age newstart allowance recipients* – this measure introduces flexible arrangements for Newstart Allowance recipients and recipients who are aged at least 50 years. The measure involves a flexible approach to the application of the activity test and provides access to an expanded range of services and programs to help maximise economic and social participation. A participation agreement will be negotiated with new recipients and current recipients who are aged at least 50 years which will set out those activities that the person agrees to undertake, or participate in. The proposed new participation framework maintains the current focus on economic participation for those with a capacity to undertake paid work, but also provides the flexibility to accommodate those with limited prospects of employment in the short term. If, without reasonable excuse, a person fails to comply with the terms of the agreement, a penalty will be imposed. Where a person rectifies that failure, it will be possible for any residual amount of the penalty to be waived.¹

1 *Explanatory Memorandum*, Outline, pp.2-3, 32-33.

2.4 The inquiry received a range of evidence on the question as to whether the participation requirements for these groups should be made compulsory or voluntary. A number of submissions from welfare groups argued that the proposed participation requirements for parents and mature age Newstart recipients should be voluntary. It was argued that compulsory participation is not only unnecessary but may potentially place unnecessary barriers for many people seeking to engage in the workforce or other forms of participation. It was also argued that alternative approaches, such as retraining and education packages, wage subsidy schemes and family support services should be put in place to address the need for increased opportunities to participate.²

2.5 The Department of Family and Community Services (FaCS), however, cited survey evidence that indicated that a majority of Parenting Payment recipients agreed with the suggestion that after a certain length of time on income support payments parents should look for work, do voluntary work or undertake training.³

2.6 Some submissions also argued that the Bill emphasises an overly prescriptive focus on ‘hours of activity’ through the requirement to engage in 150 hours of activity over a 6 month period. Some submissions argued that this requirement might be difficult to achieve, especially for parents with child rearing responsibilities.⁴

2.7 The Committee is of the view that generally speaking participation requirements for parents and mature age Newstart allowance recipients should be compulsory, as it provides an incentive to participate in a range of activities that may not otherwise be taken up by these groups. The Committee, however, considers that a number of changes need to be made to the participation requirements for parents and mature age Newstart allowance recipients and also to the breaching and penalty regime to improve their overall fairness and effectiveness. Any of the requirements of a participation agreement should not prevent a parent from providing any care that their child or children need. The requirements of a participation agreement should not prevent a parent from achieving a good work and family balance.

Parenting payment participation requirements

2.8 The following issues were raised in relation to the participation requirements for parents:

- requirement to enter into a participation agreement;
- requirement to comply with a participation agreement;
- recognition of children’s needs;
- eligibility for Family Tax Benefit.

2 *Submissions* 25, p.7 (NWRN); 4, pp.5-6 (BSL); 1, p.9 (NCSMC).

3 Some 66 per cent of the survey group either agreed or strongly agreed that an activity should be required in addition to parenting. For further details see V. Pearce, ‘Parents, participation and planning’, *Australian Social Policy*, 2000/2, p.103.

4 *Submissions* 11, p.11 (ACOSS); 25, p.19 (NWRN); 1, p.8 (NCSMC).

Requirement to enter into a participation agreement

2.9 There are three basic requirements in respect of Parenting Payment participation agreements (subsection 501(1) of the Bill). These are:

- a person must enter into a participation agreement when required by the Secretary to do so;
- the person must take reasonable steps to comply with the terms of the person's participation agreement; and
- at any time the person must be prepared to enter into another participation agreement if required to do so by the Secretary.

2.10 The requirement to enter into a participation agreement when required to do so has been included as a specific qualification for receipt of Parenting Payment. This mirrors similar qualification conditions relating to activity agreements for Newstart and Youth Allowance. However, for Newstart and Youth Allowance a failure to enter into an agreement when required to do so, without a reasonable excuse, can also result in an activity test breach penalty. The Bill does not provide for such penalties if a Parenting Payment recipient fails to enter a participation agreement.

2.11 The effect of the Bill will be that, if a parent does not enter into a participation agreement when required to do so, their payment will be suspended. If the person subsequently enters into a participation agreement their payment can be restored and, if the agreement is entered into within 13 weeks of the suspension of payments, the parent would be paid back any Parenting Payment for the period that the payment was suspended.

2.12 The new procedures also require an attempt to contact the person to investigate their non-attendance and that, if contact is not made with the person, the payment will be suspended until the person makes contact with Centrelink.

2.13 The Commonwealth Ombudsman raised a number of issues in regard to the above matter, namely:

- *Will there be a reasonable attempt to contact the parent to assess their reasons for non-attendance at an agreement negotiation interview before determining that the person's payment should be suspended?*

2.14 FaCS advised the Committee that reasonable attempts to contact are provided for in the Bill – parents with a contact phone number will be contacted by the Personal Adviser or JET Adviser to arrange a suitable time for their initial interview. Parents without a phone contact will be sent a letter with the interview time and will be asked to contact Centrelink if they cannot attend. If the client does not attend this interview at least two reasonable attempts to contact the person will be made before a person's Parenting Payment is suspended for non-attendance at a participation interview. Where a person fails to attend an interview that has already been rescheduled because they did not attend at the originally booked time, payment will be suspended. The payment will be restored when they attend Centrelink.

- *Will the matter of whether the person is unreasonably delaying entering into an agreement be appropriately considered, or will non-attendance at an agreement negotiation interview simply be taken as unreasonably delaying and therefore result in immediate suspension of payment?*

2.15 FaCS stated that non-attendance at an interview alone would not be considered as unreasonably delaying the negotiation of a participation agreement. The expectation is that agreements would be finalised within 13 weeks unless there are extenuating circumstances.

- *Will there be any administrative delays in arranging for the person to enter into an agreement, and therefore have their payments restored, once the person indicates their preparedness to do so?*⁵

2.16 FaCS stated that once a person attends an interview and enters into a participation agreement their payment, if suspended, will be restored. Extra appointment times will be available for urgent interviews to allow income support recipients to be dealt with quickly.⁶

Initial interviews/‘cooling-off’ period

2.17 Evidence indicated that Centrelink needs to allocate sufficient time for initial interviews with recipients. The Independent Review of the Breaches and Penalties in the Social Security System (the Pearce review) recommended that this will usually require not less than 45 minutes, and not less than 60 minutes when the interview indicates that the claimant may be ‘especially vulnerable’. Allowing sufficient time to ensure that all relevant information is obtained and people are appropriately assessed and referred to programs and services are vitally important. While FaCS argued that this is current procedure for new claim interviews, Professor Pearce said he did not believe that Centrelink is allocating 45 minutes to the first interview. He indicated that this was a key recommendation of his review ‘because the information that came to us regularly showed that the system failed from the first moment because insufficient effort and time were put into the first interview’.⁷

2.18 The Committee believes that Centrelink procedures should ensure that initial interviews with recipients should be no less than 45 minutes in duration to ensure that sufficient time is allowed to carry out interviews with recipients.

2.19 Submissions also argued that a ‘cooling’ off period should be available to people required to enter a participation agreement. This would enable the person to take the agreement away and consider options or seek advice. The National Welfare Rights Network (Welfare Rights) stated that ‘cooling off’ periods are considered a standard practice in most legal negotiations where there is any possibility of an imbalance of power or knowledge between the parties. While the Department stated

5 *Submission 12*, p.4 (Ombudsman).

6 *Submission 24*, Additional Information 23.8.02, pp.7-8 (FaCS).

7 *Committee Hansard*, 5.8.02, p.50 (Professor Pearce). See also *Submission 24*, p.48 (FaCS).

that few use the two-day ‘cooling off’ period currently available, Welfare Rights stated that few are aware of the cooling off period as is only available if a person asks for it. Furthermore, if the person does ask for it they are not in a position to insist on it because they have no legally enforceable right to this.⁸ Welfare Rights suggested a ‘cooling off’ period of at least seven days in relation to Newstart allowance and 14 days in relation to Parenting Payment.⁹

Recommendation 1: That the Bill be amended to provide that where a person is required to enter into a participation agreement, the person must be offered a ‘cooling off’ period of at least seven days between the time that the terms of the agreement are settled and the time the person is required to sign the agreement; and the Department be required to inform people of their rights to this ‘cooling off’ period.

Requirement to comply with a participation agreement

2.20 The Bill requires that, where a parent enters into a participation agreement, the parent is required to take ‘reasonable steps’ to comply with the terms of the agreement. If the parent does not do so he/she will incur a participation agreement penalty breach. This requirement, the terms that may be included in an agreement and the penalties specified, are closely modelled on the Newstart and Youth Allowance requirements. The main differences are:

- a limitation in participation agreements that activities should involve no more than 150 hours in a 6 month period;
- some significant differences in the definition of what constitutes ‘reasonable steps’ to comply with the terms of an agreement (see below);
- a specific requirement that the Secretary must make reasonable attempts to contact the person before determining a failure to comply with the terms of a participation agreement (this requirement is not specified in relation to Newstart and Youth Allowance activity agreements);
- if the parent who has incurred a participation agreement breach penalty complies with the terms of the agreement within 13 weeks of incurring the penalty, the penalty is lifted and the parent will be paid back any Parenting Payment they missed during the suspension period (this concession is not available to people who incur Newstart or Youth Allowance breach penalties); and
- some minor differences in the terms that may be included, for example, participation agreements may include ‘paid work’, whereas activity agreements refer to ‘paid work experience’; participation in a program of work for income support (Work for the Dole) is indicated as ‘voluntary’ for participation agreements; and development of self employment or cooperative enterprises is not included as a specific term in participation agreements.

8 *Submission 24*, p.55 (FaCS); 25, p.20 (NWRN).

9 *Submission 25*, p.20 (NWRN); *Committee Hansard*, 5.8.02, pp.9-10 (NWRN).

2.21 As noted above, a person must take ‘reasonable steps’ to comply with the terms of the participation agreement. The test of taking reasonable steps to comply is satisfied if the person has attempted ‘in good faith’ and to the best of his or her ability to comply, or the terms of the agreement were inappropriate for the person. This test acknowledges that a person may not be able to comply with the terms of the agreement because the terms were inappropriate when the agreement was first negotiated or, because of a change in circumstances, the terms have become inappropriate. To assess ‘appropriateness’ requires the terms take account of a person’s ‘needs’ and ‘capacity to comply’. Needs and capacity to comply must take into account a person’s education, experience and skills; the local state of the labour market; the participation opportunities available to the person; and family and caring responsibilities.

2.22 Welfare Rights argued that these provisions are generally a ‘vast improvement’ on the approach currently taken in relation to determining whether a person is meeting the requirements of Newstart Allowance and Youth Allowance.¹⁰ Welfare Rights also noted that the requirement to make reasonable attempts to contact the person before determining a failure to comply with the terms of a participation agreement is also a ‘considerable improvement’ on the provisions currently applying to Newstart Allowance and Youth Allowance recipients.¹¹

2.23 The Ombudsman, however, stated that there is ‘no guidance provided in the Bill’ about what might constitute ‘reasonable attempts to contact’ for purposes of determining reasons, if any, for non compliance with the terms of an agreement.¹² The Pearce Review suggested a criteria for reasonable contact attempts. These involved at least one attempt to contact the person through his or her primary postal address; and at least two further attempts, including the use of any additional method that may have been previously agreed with the person.¹³ FaCS stated that it was anticipated that two attempts to contact the person will be made, at least one of these would be by letter.¹⁴

2.24 As noted above, a penalty can be lifted if a person takes ‘reasonable steps’ to comply within 13 weeks. Welfare Rights argued that this provision constitutes a ‘very significant and essential departure’ from the existing penalty provisions, and changes the existing emphasis on punishment to an emphasis on compliance.¹⁵

2.25 The Ombudsman stated, however, that there are questions arising from the operation of the provision, namely what will be taken to represent compliance for this purpose and will it be necessary for the person to have undertaken or completed the

10 *Submission 25*, p.11 (NWRN).

11 *Submission 25*, p.11 (NWRN).

12 *Submission 12*, p.7 (Ombudsman).

13 Pearce Review, pp.74-75.

14 *Submission 24*, Additional Information 23.8.02, p.9 (FaCS).

15 *Submission 25*, p.12 (NWRN).

activity or will an indication of willingness to do so be sufficient to enable payments to be restored.¹⁶

2.26 FaCS advised the Committee that the Personal Adviser or JET adviser must have some confidence that the person has taken steps to start participating before they would be able to restore the payment. The person would be asked to provide some evidence of having taken steps to meet the terms of their agreement.¹⁷

Recognition of children's needs

2.27 Several submissions commented that the Bill does not contain sufficient protection for children who will be subject to the outcomes of decisions imposed on their parents by the proposed legislation.¹⁸

2.28 The National Council of Single Mothers and their Children (NCSMC) recommended that the proposed legislation should include an over-arching principle which states that the function of the legislation is to improve the economic position of families, and that parents cannot be forced to act against the reasonable care needs of their children.¹⁹

2.29 ACOSS argued that the legislation should ensure that any participation requirements will not unreasonably interfere with the care of a dependent child, as understood in terms of broadly accepted community standards, for example, when the child is not at school due to illness, or where the parent has chosen to homeschool the child.²⁰

2.30 Submissions also noted a major barrier for some parents with teenage children is the lack of after school care for teenagers such as drop-in youth centres. It was suggested that further investigation of models and funding of such care is required.²¹ The Department noted that the Youth Activities Services program provides a range of diverse and structured activities for 11 to 16 year olds outside of school hours. The Family Liaison Worker program also supports young people and their families and facilitates access to a range of opportunities and support networks.²²

2.31 The Department stated that activity requirements can be reduced or deferred in circumstances such as health problems for the parent and/or their children; crisis situations for children; or where parents with a child with high care needs do not meet the automatic exemption test of 'severely disabled' – 'the intention is that

16 *Submission 12*, p.7 (Ombudsman).

17 *Submission 24*, Additional Information 23.8.02, p.9 (FaCS).

18 *Submissions 1*, p.11 (NCSMC); 9, p.5 (Uniting Church).

19 *Submission 1*, p.11 (NCSMC).

20 *Submission 11*, p.8 (ACOSS).

21 *Committee Hansard 5.8.02*, pp.83-5 (SPU); *Submission 4*, p.7 (BSL).

22 *Submission 24*, Additional Information 23.8.02, p.3 (FaCS).

requirements will be reasonable and applied sensitively to an individual's circumstances'.²³

2.32 While the Bill recognises 'the family and caring responsibilities' of parents (section 501(4)) in determining their capacity to comply with a participation agreement, the Committee believes that the Bill should give due recognition to the needs of children in determining the capacity of the parent to comply with an agreement.

Recommendation 2: That the Bill be amended to explicitly recognise the needs of the child in determining the capacity of a parent to comply with a participation agreement.

Eligibility for Family Tax Benefit

2.33 Entitlement to some family payments such as Family Tax Benefit (FTB) are affected by whether the parent receives an income support payment. If a person is receiving a Parenting Payment they will be able to receive Family Tax Benefit Part A at the maximum rate without the need to provide income details.

2.34 Several submissions raised the issue of whether a suspension of Parenting Payment for failure to enter into a participation agreement or the imposition of a participation breach non-payment period will also result in the cancellation or suspension of Family Tax Benefit.²⁴

2.35 The Department advised that if breached, a parent will not lose eligibility for FTB. The Department stated that 'the answer at the moment is technically no, there is no problem with your family tax benefit. There are some practical issues of having to alert and declare [income] and we are looking at ways of making it simpler'.²⁵

2.36 The Committee notes the reassurance provided by the Department in relation to receipt of Family Tax Benefit and considers that the Department should ensure that the proposed arrangements will not affect a parent's eligibility for FTB.

Participation requirements for mature age newstart recipients

2.37 The Committee received fewer comments in evidence in relation to the participation requirements for mature age Newstart recipients.

2.38 As noted previously, the Bill provides for changes to the activity test for those aged 50 or more with limited prospects of employment in the short term. Schedule 5 of the Bill contains the following adjustments to activity testing arrangements:

23 *Submission 24*, p.25 (FaCS).

24 *Submissions 12*, p.8 (Ombudsman); 25, pp.18-19 (NWRN); 11, pp.10-11 (ACOSS).

25 *Committee Hansard*, 6.8.02, p.195 (FaCS).

- greater latitude is allowed for people aged 50 years or more to qualify as unemployed;
- those aged 50 or more may not be required to participate in a Work for the Dole scheme;
- greater latitude is given for Centrelink officers to suggest activities for those over 50 that will help satisfy the activity test; and
- eased application of activity test and administrative breach penalties apply.²⁶

2.39 ACOSS raised concerns about the compulsory nature of the proposed participation framework for older Newstart recipients. ACOSS stated that there are insufficient safeguards for this group in recognition of the particular difficulties they may face in securing employment at this point of their lives. ACOSS also argued that there should be wider scope to undertake voluntary work in lieu of job search. Further, training provision targeted to this age group may need to be expanded, and this should include innovative approaches to encourage lifelong learning support delivered through local networks.²⁷

Other issues affecting participation requirements

2.40 A number of other issues, common to both Parenting Payment and mature age Newstart recipients, were raised in evidence. These included:

- the need for further exemptions;
- simplification of income reporting;
- implementation of the proposed measures by Centrelink; and
- the need for a participation allowance.

The need for further exemptions

2.41 The Bill provides an automatic exemption from the requirement to enter into a participation agreement to parents who have a child with a severe disability. This is defined through existing social security legislation, that is, a ‘profoundly disabled child’; two disabled children who together require the same level of care as a profoundly disabled child; or a child with a disability listed as a ‘recognised disability’ in the Child Disability Assessment Tool (subsection 501A(2)).

2.42 Several submissions argued that the exemptions are too restrictive and fail to acknowledge that there are many other circumstances where children have high needs which prevent the parent from undertaking sustained paid employment. These include children who do not have a ‘recognised disability’ such as cystic fibrosis even though the child may require constant care; children with chronic illnesses; children with a

26 *Explanatory Memorandum*, pp.32-44.

27 *Submission 11*, p.14 (ACOSS).

condition such as ADD/ADHD; children with high emotional needs; and children in particularly stressful situations.²⁸

2.43 Other submissions also argued that exemptions should be available in such circumstances where parents have caring responsibilities for a partner, relative or other adult person with a disability; or a disability sufficient to qualify them for a disability support pension; or personal circumstances that restrict their capacity to participate, such as domestic violence or other trauma; health, developmental or behavioural problems of the child; health problems of the parent; issues connected with homelessness; or separation from a partner.²⁹

2.44 ACOSS added that exemptions should also be available to mature aged Newstart recipients in certain circumstances, such as those with caring responsibilities for a partner, relative or other person with a disability, or personal circumstances, such as health problems, that restrict their capacity to participate.³⁰

2.45 The Department argued that it was considered undesirable to grant widespread ‘blanket’ exemptions to particular groups of people, with the emphasis being on Centrelink to develop individualised programs of assistance, tailored to each person’s needs and circumstances. FaCS recognised that some other child disabilities not covered in the ‘profoundly disabled child’ and ‘recognised disability’ definitions may also impose ‘heavy demands’ on parents, including cystic fibrosis, juvenile diabetes and uncontrolled epilepsy – ‘however, the demands on parents created by these disabilities vary and each situation will be assessed on an individual, rather than a blanket exemption, basis. The design allows the requirements to be modified or deferred, where needed while maintaining a flexible capacity to respond to any individual circumstances’.³¹

Recommendation 3: That the Bill be amended to provide additional exemptions:

- for parents of children with a disability, not covered in the Bill, or other high care needs or other situations where the child or parent is in special circumstances;**
- for parents whose children have non-physical disabilities;**
- for a parent with more than one child with disabilities not defined within the Bill; and**
- for mature aged Newstart recipients with caring responsibilities or personal circumstances, such as health problems, or other special circumstances that restrict their capacity to participate.**

28 *Submissions* 6, p.4 (Sole Parents’ Union); 11, p.12 (ACOSS); 25, p.21 (NWRN).

29 *Submissions* 11, p.12 (ACOSS); 14, p.8 (Brain Injury Australia).

30 *Submission* 11, p.15 (ACOSS).

31 *Submission* 24, p.17 (FaCS).

2.46 Several submissions also noted that the proposed legislation does not provide for exemptions of a temporary nature from the requirement to enter into an agreement. Such circumstances may include short term illnesses or a family crisis such as current or recent experience of trauma including domestic or post-separation violence or death of a family member; health problems of the parent and/or child; or court proceedings in the Family Court or criminal courts.³² Welfare Rights stated that the legislation governing Newstart and Youth Allowance provides for a range of temporary exemptions from the activity test in certain circumstances.³³

Recommendation 4: That the Bill be amended to provide for temporary exemptions from entering into a participation agreement due to special circumstances, such as short term illness or family crisis situations; and that the temporary exemption be available for a period of up to six months, and for more than one six month period.

Simplification of income reporting

2.47 Submissions emphasised that a major reason for considerable confusion and the source of many breaches is the complexity of requirements for reporting income. Income support recipients must report when they have an entitlement to an income even if it has not been received. For those working casually or intermittently, and even for full-time workers, income can vary from week to week and a person may not know how much income they have ‘earned or derived’.³⁴

2.48 The Pearce review recommended that the income reporting arrangements should be simplified by focussing on income from work when it is actually received, rather than simply when it is earned or derived. The Brotherhood of St Laurence (BSL) argued that this proposal would remove much unnecessary uncertainty and confusion for unemployed people, and also for parents attempting to balance part-time or casual work with caring responsibilities and the receipt of Parenting Payment.³⁵

2.49 The Department argued, however, that taking income into account when it is earned or derived is the best way of ensuring equity and that people do not manipulate the system, for example, by taking lump sum payments that affect income in one fortnight only. FaCS also noted that part of the change in the working credit measure is to simplify the income assessment rules so that what is earned in a fortnight is what is counted as ‘income’ in that fortnight.³⁶

32 *Submissions* 11, p.12 (ACOSS); 25, p.21 (NWRN); 27, p.2 (Mission Australia).

33 *Submission* 25, p.22 (NWRN).

34 See, for example, *Submissions* 4, p.10 (BSL); 31, Attachment 1 pp.7-8 (Unempa).

35 *Submission* 4, p.10 (BSL).

36 *Submission* 24, p.56 and Additional Information 23.8.02, pp.4-6 (FaCS); *Committee Hansard*, 6.8.02, p.186 (FaCS).

2.50 FaCS advised that the income reporting issue is kept under review by the Department – ‘it is not something where we think there is a perfect solution, but we are looking for a more perfect solution all the time’.³⁷

2.51 The Committee notes that a significant cause of breaching at present is caused by the complexity of the income reporting requirements and considers that these requirements should be reviewed as a priority with a view to their simplification.

Recommendation 5: That the Department introduce measures to facilitate the simplification of income reporting.

Implementation of the proposed measures by Centrelink

2.52 Evidence to the inquiry emphasised that the implementation of the proposed new participation and penalty requirements will depend on the capacity of Centrelink to administer the new arrangements efficiently.³⁸

2.53 This crucial factor was acknowledged by the Department:

In large part, the successful administration of the provisions and the participation support framework they underpin will come down to the capacity of Centrelink to administer the flexibility and individualisation of service delivery expected. Two factors, in particular, will be critical:

- the capacity for policy guidelines and administrative procedures to be interpreted appropriately and equitably while maintaining the flexibility to allow an individually tailored approach; and
- the training and management of those staff charged with providing the participation planning, support and monitoring at the heart of the measures – the new Personal Adviser role.³⁹

2.54 The Department informed the Committee that detailed administrative processes have been developed to ensure that the requirements and penalties can be administered consistently across the entire Centrelink network. In addition, more than 850 Personal Adviser positions are funded under the AWT package, with 456 Personal Advisers already recruited. Personal Advisers, whose role is to support and encourage income support recipients to maximise their economic and social participation, receive a comprehensive 12 week training program before commencing work in Centrelink offices.⁴⁰

2.55 Evidence to the Committee, however, questioned the ability of Centrelink, based on their administration of current income support arrangements, to effectively

37 *Committee Hansard*, 6.8.02, p.187 (FaCS).

38 *Submissions* 20, p.3 (Jobs Australia); 22, pp.4-5 (MHCA).

39 *Submission* 24, pp.22-23 (FaCS).

40 For further details see *Submission* 24, pp.23-28 (FaCS); *Committee Hansard*, 6.8.02, pp.170-75 (FaCS/Centrelink).

administer the new arrangements. Welfare Rights, reflecting much of the evidence, commented that:

It is a complex system. There are many provisions to look at. Centrelink at their best cannot make sure that everything is going to happen correctly all the time. Indeed we have seen, with the penalties regime applying to unemployed people, how it breaks down in hundreds of thousands of cases on hundreds of thousands of occasions.⁴¹

2.56 Specific issues commented upon during the inquiry included the following aspects:

- Centrelink assessment processes – ‘...we have an issue here also around the skills of Centrelink workers: they have neither the time, nor the capacity in some offices, to engage people and connect them up to the right program. Some of that is around assessment and some of it is around resources available in particular communities’.⁴²
- The extent of Centrelink/FaCS/DEWR/DEST and service provider coordination– ‘We think there are some issues about the way the interaction between Centrelink and...the employment services providers operate – the communication between them, the information technology systems that underpin them’.⁴³
- The ability of Centrelink and service providers to apply discretion in determining the forms of participation which are responsive to the individual’s needs and circumstances – ‘...we are looking at families in which there is an enormous amount of chaos. Unless someone actually at Centrelink can describe on a list that chaos as being something that exempts them from particular requirements, I am not certain that their circumstances will be taken into account’.⁴⁴
- The role of Personal Advisers – ‘...it is hard to imagine how personal advisers with some hundreds of clients are going to be able to effectively either remember their clients or manage them’.⁴⁵

2.57 A study by UnitingCare Burnside on Youth Allowance recipients’ relations with Centrelink pointed to problems in Centrelink dealings with income support recipients. The study found that:

- while most young people reported something positive to say about Centrelink staff, most also reported feeling stigmatised in some way in their dealings with Centrelink staff;

41 *Committee Hansard*, 5.8.02, p.2 (NWRN).

42 *Committee Hansard*, 6.8.02, p.95 (Salvation Army). See also *Committee Hansard*, 6.8.02, p.117 (Hanover Welfare Services); p.140 (BSL).

43 *Committee Hansard*, 6.8.02, p.107 (Jobs Australia).

44 *Committee Hansard*, 5.8.02, p.25 (UnitingCare Burnside).

45 *Committee Hansard*, 6.8.02, p.114 (Jobs Australia).

- respondents were often unsure how and why specific decisions had been made regarding their payments; and
- young people wanted Centrelink staff to be more sensitive to their needs, to be more flexible and patient in their dealings with them, including easier access to information.⁴⁶

2.58 The Committee is strongly of the view that the effective implementation of the proposed new arrangements will rely heavily on the ability of Centrelink to administer a system that is sufficiently flexible and responsive to individual needs and circumstances, which evidence suggests has not been a distinguishing feature of Centrelink's operations to date. While the Committee notes the Department's acknowledgment of the crucial role Centrelink will play in the success or otherwise of the new arrangements, the system needs to be adequately resourced and carefully monitored to ensure that recipients receive the flexible and individualised standard of service delivery promised as part of the new arrangements.

Effective communication by Centrelink

2.59 Evidence indicated that Centrelink and providers should place greater emphasis on the use of plain English and accessible formats in their written communication and also reduce the volume of correspondence being sent to recipients.⁴⁷ The Pearce Review recommended the greater use of plain English in written communication and where technical language has to be included for formal legal purposes, it should be put in an attachment, or on the reverse side, with its meaning explained simply in the principal communication. Professor Disney commented that plain English 'is a real social justice issue...a remarkably high proportion of problems in this area stem from bad communication'.⁴⁸

2.60 FaCS stated that all Centrelink communication is checked for readability and clarity. However, the position taken by appeals tribunals has forced a legalistic stance on letters to recipients in order to ensure breach decisions will not be overturned on appeal on technical grounds.⁴⁹ The Department acknowledged that it is a difficult problem to resolve and outlined a number of initiatives to address the issue, including producing separate information pamphlets that include the technical legal terms, and efforts to reduce the numbers of letters sent to their clients.⁵⁰

2.61 The Committee believes that the Department should continue efforts to encourage the use of plain English by Centrelink and providers and the development of accessible forms of written communication as a matter of priority.

46 *Submission 23*, Appendix 2 (UnitingCare Burnside).

47 *Committee Hansard*, 5.8.02, pp.60-61 (Professor Disney/Professor Pearce).

48 *Committee Hansard*, 5.8.02, pp.59-60 (Professor Disney).

49 *Submission 24*, p.50 (FaCS).

50 *Committee Hansard*, 6.8.02, pp.182-84 (FaCS).

Recommendation 6: That Centrelink further develop accessible forms of written communication and encourage the use of plain English in their communications.

The need for a participation allowance

2.62 Evidence to the Committee indicated the need for the introduction of a participation allowance in recognition of the costs of participation. The McClure report on welfare reform recommended the introduction of such a supplement to meet the costs associated with some forms of participation, specifically those aimed at achieving an economic outcome, and for assisting the transition to paid work.⁵¹ Increased participation requirements can impose an additional financial burden on people whose incomes are already severely limited, especially in the areas of transport, education and the additional costs associated with a disability.⁵²

2.63 ACOSS suggested the introduction of allowances of \$20 per week for job search and work experience costs, and \$30 per week for education and training costs and an allowance for the costs associated with a disability.⁵³

2.64 The Department indicated that the introduction of a participation allowance was under review – ‘in no way should it be seen that the concept of a participation payment has been dismissed...The government is seriously thinking about payment reform and it will be considered in that context’.⁵⁴ FaCS indicated that there are already some 10 participation payments, such as the Work for the Dole supplement, mobility allowance and employment entry payment.⁵⁵

Recommendation 7: That the Commonwealth Government introduce a participation allowance to meet the costs associated with participation requirements.

Breaches and penalties

2.65 The proposed framework of breaches and subsequent penalties for Parenting Payment and mature age Newstart recipients is partly modelled on existing arrangements for Newstart and Youth Allowance. The system includes a process of designating certain conduct on the part of the recipient of income support payments as being a *breach* of the obligations that must be complied with in order to receive the payment. If the recipient is in breach, *penalties* must be imposed. These penalties involve reducing or fully withholding for a period the payment that would otherwise be payable. The proposed breach and penalty provisions in the Bill provide that:

- a notified person must enter into a participation agreement;

51 McClure report, p.29.

52 *Submissions* 11, p.3 (ACOSS); 20, p.4 (Jobs Australia); 31, Attachment 1 pp.9-10 (Unempa).

53 *Submission* 11, p.3 (ACOSS).

54 *Committee Hansard*, 6.8.02, p.191 (FaCS).

55 *Committee Hansard*, 6.8.02, p.191 (FaCS).

- a person must take ‘reasonable steps’ to comply with the terms of the participation agreement;
- failure to take ‘reasonable steps’ constitutes a ‘participation agreement breach’ which will result in a penalty, the structure of which is detailed below;
- failure to take ‘reasonable steps’ cannot be determined without first, making ‘reasonable attempts to contact’ and second, ‘having regard for the reasons for not complying’;
- a penalty can be lifted if the person takes ‘reasonable steps’ to comply within 13 weeks; and
- for an 8 week ‘no payment period’ penalty, a written notice setting out the reasons for the imposition of the penalty must be sent.⁵⁶

2.66 Current activity test penalties are:

- 18 per cent rate reduction in base payment for 26 weeks for the first breach;
- 24 per cent rate reduction for 26 weeks for a second breach in the two years prior; and
- a non-payment period for 8 weeks for third and subsequent breaches.

Current penalties for administrative breaches are set at a 16 per cent rate reduction for 13 weeks or one fortnight of non-payment.⁵⁷

Parenting payment

2.67 The Bill provides that penalties may be imposed where the person has not taken ‘reasonable steps’ to comply with the terms of an agreement. This test takes into account whether the person has attempted to the best of his or her ability to comply with the terms. It also requires consideration of whether the terms of the agreement had originally been, and remains appropriate for the person throughout the period concerned. FaCS stated that this is a different test of reasonable steps than that applied to Newstart recipients – ‘in effect, there is the added protection of a thorough review of the issues and evidence at hand before any penalty can be considered’.⁵⁸

2.68 The Ombudsman observed that the Bill includes some features and procedural requirements that do not exist in the current provisions. These include:

- the administrative breach penalties that apply to Newstart and Youth Allowance will not apply to Parenting Payment recipients who are subject to the new participation requirements;
- amounts withheld as a result of penalties applied under the proposed Parenting Payment participation requirement will be able to be fully recovered by the

56 *Submission 25*, pp.9-10 (NWRN).

57 *Submission 24*, p.21 (FaCS).

58 *Submission 24*, p.19 (FaCS).

parent if they comply with the requirement within 13 weeks (this is not available under Newstart and Youth Allowance provisions but such an approach was suggested by the Pearce review);

- the definition of what constitutes ‘reasonable steps’ to comply with the terms of an agreement differs from the definitions applying to Newstart and Youth Allowance (see above);
- the Bill includes a requirement to make reasonable attempts to contact the person before deciding if the person has not complied with the terms of an agreement (this requirement is not specified in the Newstart and Youth Allowance provisions).⁵⁹

2.69 The table below shows the level of penalties for Parenting Payment recipients.

Table 2.1: Level of penalties for parenting payment (single) recipients

	Weekly reduction in payment (Parenting Payment single @ weekly rate of \$210.90) not including FTB	Total reduction amount Over 26 weeks (or 8 week no payment period) not including FTB	Cumulative reduction amount
Activity Test			
First breach 18% reduction for 26 weeks	\$37.90	\$987	\$987
Second breach 24% reduction for 26 weeks	\$50.60	\$1 316	\$2 303
Third breach No payment for 8 weeks	\$210.90	\$1 687.20	\$3 990

Source: Submission 25, p.9 (National Welfare Rights Network).

2.70 The Department stated that where a breach has occurred, the focus will be on encouraging the person to comply with the participation requirements rather than to accept a reduced rate of payment for 26 weeks. FaCS noted that administrative processes have been designed to assist recipients to meet requirements and ensure that breach situations are resolved quickly, through close monitoring of recipients at 6 and 10 weeks after the breach, and case conferences with social workers. As soon as the person takes reasonable steps to comply with their requirements the penalty will be

⁵⁹ Submission 12, p.2 (Ombudsman).

lifted. As noted previously, full arrears will be paid if compliance takes place within 13 weeks of the breach occurring.⁶⁰

Mature age Newstart

2.71 Mature age Newstart recipients who fail to meet the requirements such as failure to take steps to attend compulsory interviews; prepare a participation plan or show that they have not met their participation requirements may be subject to administrative or activity-test related penalties if they do not have an acceptable reason for non-compliance. FaCS noted that where the person has made a genuine effort to meet their requirements, sanctions will not be applied.⁶¹

2.72 In general, these penalties must be served in their entirety unless the person commences certain activities – such as Work for the Dole or community work. Where this occurs, the remainder of the penalty may be waived – that is, payment is restored to the full rate or reinstated. There is no provision, however, to pay back to the person the amounts withheld up to that time. Thus, these penalty provisions are unlike those for Parenting Payment, in that subsequent compliance with the requirement will not result in the recovery of the withheld payments. The Ombudsman noted that it was unclear why a different approach had been adopted in relation to mature age Newstart recipients compared with persons receiving Parenting Payment.⁶²

Recommendation 8: That the Bill be amended to provide that full arrears be paid to mature age Newstart recipients if compliance takes place within 13 weeks of the breach occurring, consistent with that to be applied to Parenting Payment.

The impact of breaching

2.73 Submissions from welfare and advocacy groups were generally opposed to the extension of the breach and penalty regime to parents and older unemployed people.⁶³ The groups argued that the current penalty regime was excessively harsh and often counter-productive in that the system often diminishes a person's capacity to seek and gain work and thus become less dependent on income support payments. Welfare Rights, reflecting much of this evidence, stated that:

Welfare Rights Centres throughout Australia deal with unemployed people who have been breached under the current penalty regime on a daily basis. We see the reality of how breaches and penalties are applied...and the impact they have on people, often the most vulnerable people in the Social Security system. We see how the penalties are so harsh, with little parallel in

60 *Submission 24*, p.20 (FaCS).

61 *Submission 24*, p.22 (FaCS).

62 *Submission 12*, p.8 (Ombudsman). See also *Committee Hansard*, 5.8.02, p.53 (Professor Disney).

63 *Submissions 11*, p.5 (ACOSS); *25*, pp.7-9 (NWRN); *18*, p.8 (Salvation Army); *9*, p.4 (Uniting Church).

the civil or criminal justice systems, that they are generally counter-productive in that they diminish the capacity of an unemployed person to continue to meet their activity test/participation requirements.⁶⁴

2.74 Evidence indicated that the imposition of penalties under the breaching proposals were likely to adversely impact on sole parents, and particularly their dependent children. The NCSMC stated that the proposed legislation ‘contains measures which provide for the removal of income support from single parent families and is therefore a risk to the well-being of the families which NCSMC represents’.⁶⁵

2.75 Submissions also noted that the proposed measures undervalue the caring role of parents and undermine the fact that parents are best placed to make decisions about the relative importance of employment and parenting.⁶⁶ The Sole Parents’ Union stated that ‘parents, particularly sole parents, have caring responsibilities which differentiate their circumstances from other welfare recipients. By emphasising coercion and punitive compliance measures little is done to address issues of need and current workforce barriers that sole parents experience’.⁶⁷

Reducing the impact of breaching

2.76 Some groups argued that if breaching processes were extended to these new groups the Government should implement the recommendations of the Pearce Review to ameliorate some of the harsher aspects of the proposed breaching regime.⁶⁸

2.77 As discussed further in chapter 3, the Pearce Review recommended that:

- all penalties should be fully recoverable if the jobseeker takes reasonable steps to comply with the relevant obligation;
- the duration of penalties should not exceed eight weeks and the rate of reduction in allowance should not exceed 25 per cent;
- if penalties are not made fully recoverable, the duration of penalties should not exceed eight weeks and the rate of reduction should not exceed 15 per cent;
- penalties should not commence until at least 14 days after written notification to the jobseeker; and
- the combined rate of a jobseeker’s reduction in allowances through penalties and Centrelink recoveries should not exceed 20 per cent.⁶⁹

64 *Submission 25*, pp.7-8 (NWRN).

65 *Submission 1*, p.2 (NCSMC).

66 *Submission 4*, pp.3-5 (BSL).

67 *Submission 6*, p.2 (Sole Parents’ Union). See also *Submission 7*, pp.6-8 (Ms Eva Cox).

68 *Submissions 25*, p.8 (EWRN); 11, p.5 (ACOSS); 18, p.13 (Salvation Army).

69 Pearce Review, pp.83-86.

2.78 Submissions emphasised that the rate and duration of breaches should be reduced to more adequately reflect the seriousness of the breach. Welfare Rights argued that the Pearce recommendations were intended to strike a better balance between compliance and punishment:

In our view these modifications are the very least that should happen. If these proposals were adopted, there should be no doubt that the penalty system would still be a very harsh one for anyone who is unemployed and is breached and who is not persuaded by the up to 25% rate reduction, to comply with the particular Centrelink requirement within four weeks. We are confident that under such a system, there would be far more compliance and far fewer penalties.⁷⁰

2.79 The BSL argued that the penalty levels for breaching for the unemployed should be reduced to \$20 for the first activity test breach, \$50 for a second breach, and \$75 for a third breach.⁷¹

2.80 Submissions emphasised that a major difference between what is proposed in the Bill and what is recommended in the Pearce Review is the duration of the penalty period. Welfare Rights noted that the existing penalties are too harsh primarily because of the 26 week duration factor. Welfare Rights argued that at the very least, this needs to be reduced to 8 weeks with the possibility of full recoverability upon making ‘reasonable efforts’ to comply within those eight weeks, or having a ‘reasonable excuse’ for not being able to comply.⁷²

2.81 Professor Pearce stated that what is needed in the area of penalties is a ‘short, sharp shock’ for the people involved by reducing the penalties but making them apply over a shorter period of time – ‘but that shock needs to take account of the nature of the persons concerned and of the amount of resources that they have and are available to them’.⁷³ The Committee questioned Professor Pearce if this approach would act as a disincentive to comply. Professor Pearce argued that it would not, stating that:

Our viewpoint was that, if you come at it from the angle that you are really trying to induce compliance, you put in place a system such that people are forced to focus on their compliance requirements. They know that if they comply quickly, as we have proposed, they will get their money... We think that is the way to achieve the two aims of reminding them of their obligations and obtaining compliance.⁷⁴

2.82 Submissions also argued that a participation agreement breach should not commence until at least 14 days after the person has been given notice of the breach.

70 *Submission 25*, p.16 (NWRN).

71 *Submission 4*, p.12 (BSL).

72 *Submission 25*, p.16 (NWRN).

73 *Committee Hansard*, 5.8.02, p.54 (Professor Pearce).

74 *Committee Hansard*, 5.8.02, p.68 (Professor Pearce).

Welfare Rights stated that this a serious problem for many Newstart and Youth Allowance recipients who complain that they receive notice of the breach only after their payment has been stopped, leaving them with little or no income.⁷⁵

Conclusion

2.83 The Committee considers that the breaching regime and associated penalties proposed for Parenting Payment and mature age Newstart recipients are unjustifiably harsh and inequitable and should be amended in line with the recommendations of the Pearce review into breaches and penalties. The Committee believes that the emphasis of a breaching system should be to encourage compliance and not act as a form of punishment. The Committee is of the view that the recommendations of the Pearce Review, which are designed to assist and reinforce compliance rather than identifying and punishing non-compliance, better achieve that balance.

Recommendation 9: That the proposed breaching and penalty arrangements for Parenting Payment and mature age Newstart recipients be amended in line with the recommendations of the Pearce Review, especially in relation to a reduction in the rate and duration of breaches.

Recommendation 10: That the Bill be amended to provide that a participation agreement breach not commence until at least 14 days after the person has been given notice of the breach, including the reasons for the breach. That the Bill be further amended to ensure that the recipient of a payment who is breached be notified in writing within seven days of that breach occurring.

2.84 In addition to the measures relating to Parenting Payment and mature age Newstart recipients, the Bill contains a number of other measures as part of the Australians Working Together package. The introduction of these measures received widespread support in submissions and evidence.

Personal Support Programme

2.85 The Personal Support Programme (PSP) commenced on 1 July 2002 replacing and expanding the Community Support Program (CSP). The PSP is designed to specifically assist the most disadvantaged people who have multiple non-vocational barriers to employment such as homelessness, drug and alcohol problems, mental illness, social isolation or domestic violence.

2.86 A network of community and private organisations will deliver the PSP. These providers will be selected for their skills and experience in providing assistance to potential PSP participants. They need to have the capacity to develop partnerships with other service organisations that provide assistance to people with a range of personal difficulties.

75 *Submission 25*, p.23 (NWRN); *Committee Hansard*, 5.8.02, p.6 (NWRN).

2.87 The PSP will encourage participants to achieve outcomes that are relevant and appropriate to them, matching their individual abilities, capacities and circumstances. The outcomes may be either economic or social. The inclusion of a social outcome is a major development in such programs as it recognises that for many people with these barriers to employment, improvements in their condition or social interactions may be a significant achievement in their own right.

2.88 PSP is intended to bridge the gap between short-term crisis assistance and employment-related services. This will provide the potential for practical links for participants and providers between PSP and other FaCS programs such as SAAP and emergency relief, and with employment and training programs such as Disability Employment Assistance and Job Network programs.

2.89 PSP is intended to be a compulsory program for people receiving activity tested payments such as Newstart and Youth Allowance, while people receiving non-activity tested payments such as DSP will be able to volunteer to participate. However, concern was expressed that the inclusion of the PSP as a 'mutual obligation' requirement may work against its effectiveness. Reference was made to the evaluation of the former Community Support Program that found that the voluntary nature of the program was highly valued by participants and staff, and part of the reason for its success.

2.90 ACOSS argued that the success of the PSP 'will also depend on the level of support and quality of services provided to encourage and support participation, not by placing obligations on those who have already demonstrated difficulties in meeting societal expectations relating to economic and social participation'.⁷⁶ ACOSS believed that should participation in the PSP remain compulsory for some groups, then additional safeguards needed to be included in the legislation to clearly define the terms 'reasonable steps to comply' and 'wilful non compliance' as they relate to PSP participants.⁷⁷

2.91 The Department explained that while participation in the Community Support Program had been voluntary, many people who would have benefited most from the CSP did not volunteer and did not receive the help they needed. The CSP review found that only a small percentage of CSP participants completed their full program and that significant numbers exited the program voluntarily. FaCS argued that:

Making PSP compulsory means that people who are not initially motivated and would not volunteer, will get the help they need. People are not left on the shelf or in the too hard basket – they are helped to do activities that match their capacity.⁷⁸

76 *Submission 11*, p.13 (ACOSS); see also *Submission 4*, p.8 (BSL).

77 *Committee Hansard 5.8.02*, p.36.

78 *Submission 24*, Additional Information 23 .8.02, p.10 (DFaCS).

2.92 While the PSP is designed to specifically assist the most disadvantaged people with serious personal obstacles that limit their participation in the workforce or from using employment services, People with Disabilities (PWD) believed that the PSP was flawed and unable to address the compliance difficulties experienced by people with disabilities. PWD noted that program participants may have severe psychological conditions, personality disorders, physical or intellectual disability or a number of other disorders. PWD believed that participation requirements may not be appropriate for PSP participants with such conditions, arguing that a program such as PSP which only addresses economic participation cannot successfully assist people who may require support across a range of life issues, such as sustainable housing, access to treatment and rehabilitation programs or to education and training.⁷⁹

2.93 ACOSS expressed a similar concern that the Programme should not be used to ‘park’ the most vulnerable people because there were insufficient resources and incentives for PSP and Job Network providers to help these people. ACOSS argued that PSP providers:

need to be accountable for the progress of their clients in terms of the initial assessment of client needs, referral to the appropriate program(s), setting milestones for the client based on individual circumstances, and progress on working towards these including, in particular, employment linkages. These accountabilities should be made explicit in the legislation.⁸⁰

The Mental Health Council of Australia qualified their support for the PSP by the necessity for assessors to be able to assess the full needs of the recipient adequately, and for service providers to have specific qualifications, training, or a proven understanding of working with people with a mental illness.⁸¹

2.94 The Department emphasised that PSP recognises both social and economic outcomes. It expects that the majority of participants in the Programme will achieve social rather than economic outcomes. FaCS considers that PSP is a more appropriate activity for these highly vulnerable individuals than other options such as Job Search. The PSP providers will help participants to reach appropriate individual goals and will assist participants to access a wide range of services. However, ‘the onus is on the service provider and Centrelink to work with, engage and, where necessary, re-engage participants’.

2.95 The Department has indicated that the activity requirements for the PSP have been designed to be appropriate and sensitive to participants, so it is expected that there will be fewer people in this group not meeting activity test requirements than at present – reducing the risk of inappropriate breaching. The application of sanctions and penalties will be managed sensitively, with due consideration given to the personal circumstances of the participants. Only people who deliberately do not

79 *Committee Hansard* 5.8.02, p.75 and *Submission 2*, p.2 (PWD).

80 *Submission 11*, p.13 (ACOSS).

81 *Submission 22*, p.6 (MHCA).

comply, rather than those who fail to comply due to their personal circumstances or where failure is beyond their control, will be penalised and even then, penalties will be able to be overturned if participants do comply. Current activity test exceptions, for example people with personal crises or caring responsibilities, will apply in the PSP.⁸²

2.96 The Committee notes that, as with the breaching regime proposed for the parents returning to work and the mature aged unemployed, the proof of this rhetoric will be in its practical implementation. The Department has clearly stated this undertaking in respect of sanctions and penalties to be applied to PSP and will be closely monitored to ensure that their undertaking is upheld in practice.

Recommendation 11: That an accountability framework for Personal Support Programme providers be inserted into the Bill.

Working Credit

2.97 This measure provides for a working credit for workforce age income support recipients from April 2003. Working Credit aims to encourage people of working age who get income support payments to take up full-time, part-time or casual work by allowing them to keep more of their payments while working. Credits would be built up during periods when little or no private income is earned. Those credits would be used to reduce the amounts that are counted under the income test when earned income increases. This means they will keep more of their income support payments than under current rules when they first start to work.⁸³

2.98 There will be a consistent, simpler approach to measuring income from employment for all workforce age recipients. The Department explained that currently, apart from Parenting Payment, for all other payments income from work is averaged over a suitable period, which involves highly discretionary rules and difficulty in determining the date of effect for income, especially income from casual work. These issues cause significant complexity for Centrelink staff, and a lack of transparency for income support recipients (particularly if the income is variable or intermittent, such as casual earnings). Income assessment for workforce-age recipients will change to the simpler method currently used for other recipients: what you earn in the fortnight is what is assessed in that fortnight. The change will make it easier for parents to understand how their payments are affected by income from work and when they need to tell Centrelink about changes in their earnings.⁸⁴

2.99 Changes will also encourage people to take up short-term employment by making it easier to resume income support payments if the person loses the job, once the job has ended or their income has dropped.

82 *Submission 24*, p.33 and Additional Information 23 .8.02, p.11 (DFaCS).

83 *Explanatory Memorandum*, pp.45-49.

84 *Submission 24*, p.32 (DFaCS).

2.100 The Department advised that the delay in commencement until April 2003 was due to concerns expressed in community consultations and discussions with peak groups that Working Credit, which will affect most people on income support, must be explained properly to recipients if it is to work as a financial incentive to get work. The delay in implementation has provided an opportunity for a small group of recipients to trial the new technology before it is extended to the significant number of income support recipients affected by the measure, thereby improving the success of the wider rollout. The delay also provided an opportunity to conduct extra market research to further improve letters and communications materials.⁸⁵

2.101 A number of submissions suggested that Working Credit could be made more effective and less confusing if the per fortnight accumulation rate (or 'carryover' amount) was set equal to the current income free area for Newstart.⁸⁶ The Department responded that:

The simplicity of the working credit as it is put forward in the bill is that it has a single accumulation rate and a single total amount that can be accumulated for every income support customer of working age. It is not set according to the allowance income test or the pension income test and it covers people from both of those groups...

[As well as budgetary considerations] the other dimension is that I am not sure it makes any sense to link it to one of the income support free areas, where the other one will certainly be out of alignment anyway for the vast majority of the group. The policy rationale is that, if you had a higher accumulation rate, it would provide the greatest benefit to people who earn income early on in their income support period. A lower accumulation rate provides more support for people who are longer term recipients.⁸⁷

Language, Literacy and Numeracy Supplement

2.102 People on specified income support payments who are undertaking approved language, literacy and numeracy training programs to overcome barriers they may have in gaining employment will be paid a fortnightly supplement of \$20.80 from September 2002. This supplementary payment is to assist people with the incidental costs of undertaking training such as transport, parking costs or meals, though it is not intended to fully cover all the costs associated with undertaking the training. The intention of the supplement, as stated by the Department, is 'to provide an incentive for those who need it to undertake this training and also to provide some assistance with any additional costs'.

2.103 A number of comments were made in evidence that the amount of the supplement was small to assist people, already on low income levels, to access such important training. It was suggested that the supplement should be indexed annually,

85 *Submission 24*, Additional Information 23 .8.02, p.10 (DFaCS).

86 *Submissions 4*, p.10 (BSL); 11, pp.2-3 (ACOSS); 27, p.5 (Mission Australia).

87 *Committee Hansard 6.8.02*, p.190.

in line with changes to the average male total weekly earnings, otherwise it would become increasingly irrelevant in achieving its aim of helping people to undertake these training programs.⁸⁸

2.104 In noting that the supplement is not indexed automatically, the Department indicated that:

This is consistent with other supplementary payments like the Work for the Dole Supplement and the CDEP Participation Supplement. Increases to supplements have historically been done in an ad hoc manner when the value of the supplement has been eroded over time...Like other supplementary payments, this supplement is not an income replacement payment, so it would not be appropriate to link any future increase in the amount of the supplement to changes in wages.⁸⁹

Closure of access to mature age allowance and partner allowance

2.105 From July 2003, there will be no new entrants to mature age allowance or partner allowance. Instead, Newstart Allowance will be available to working age people who would have qualified for those payments, along with access to support services and programs to help them increase their economic and social participation. People who are receiving mature age allowance or partner allowance at the implementation of this measure will be 'saved' on those payments while their payment remains current.

2.106 The Explanatory Memorandum noted that many of those affected by this measure will have had limited contact with the labour market in recent years. The approach that has been adopted recognises the varying circumstances, skills, levels of social and economic participation and aspirations of older people. The changes recognise the need for increased flexibility in the types of activities that will be acceptable for people who need to access Newstart Allowance as a result of this measure.⁹⁰

2.107 This point was strongly reinforced in evidence, with Mission Australia noting that the changes will result in mature age unemployed people being subject to nearly the same compulsory participation requirements as younger people. In particular, many of those who currently receive the Partner Allowance are women, with little or no previous experience in the labour force. A number of groups emphasised that a high degree of flexibility will be needed in determining appropriate activity requirements for these mature age income support recipients by recognising any specific vulnerability, and that significant levels of support will be needed to enable

88 *Committee Hansard* 6.8.02, p.139 and *Submissions* 4, p.8 (BSL); 11, p.2 (ACOSS); 27, p.3 (Mission Australia).

89 *Submission* 24, Additional Information 23 .8.02, p.9 (DFaCS).

90 *Explanatory Memorandum*, p.27.

them to meet their activity test requirements and ensure that emotional and social wellbeing is maintained.⁹¹

2.108 The Explanatory Memorandum states that the measure is consistent with the McClure Report's suggested approach of payment simplification for older payment recipients, with the removal of relatively arbitrary boundaries, eg age and gender, between activity tested and non-activity tested payments. However, the Parliamentary Library Bills Digest has commented that the approach in the Bill differs from the McClure recommendation that payments for mature age jobless people be integrated into a single payment by planning to phase out all such payments and assist the group through Newstart Allowance but with modified activity requirements.⁹²

Recommendation 12: That the Government ensure that the high degree of flexibility, recognised as required for those placed on Newstart following the closure of mature age and partner allowances, include the provision of special training programs and specialist support to enable activity test requirements to be satisfactorily met.

91 *Submissions* 4, p.9 (BSL); 11, p.14 (ACOSS); 22, p.6 (MHCA); 27, p.4 (Mission Australia).

92 Department of the Parliamentary Library, Bills Digest No.159 2001-02, p.6.

