

The Senate

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Community Affairs  
References Committee

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**A hand up not a hand out:  
Renewing the fight against poverty**

Report on poverty and financial hardship

March 2004

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# OVERVIEW

## Introduction

This examination of poverty and disadvantage in Australia was undertaken for two reasons.

Firstly, there is growing evidence within our community that the strong economic gains of the last two decades have not been shared fairly. While our economic indicators have continued to reach upwards, so has the level of inequality, poverty, homelessness and housing stress, long term unemployment, suicide and child abuse.

Secondly, there has been no comprehensive or wide-ranging study such as this on poverty for over 30 years. This study was based on the most reliable, authoritative and up-to-date data available. This was sourced from:

- Australian Bureau of Statistics;
- Commonwealth Departments;
- charities and welfare organisations with research capacities;
- private sources; and
- the Committee *Hansard* recording of hearings made during the inquiry.

Underpinning our report is how rapid growth of inequality – especially during the last decade – is driving more and more Australians into deprivation and disadvantage.

What we found is that Australia is losing the fight for the fair go, that inequality is accelerating and that there is an increasing loss of opportunity in our community which denies an increasing number of Australians a legitimate chance at success.

## The Extent of Poverty in Contemporary Australia

Current levels of poverty in Australia are unacceptable and unsustainable. Whilst there is considerable academic debate on what constitutes deprivation, there can be no denying the growth in poverty throughout the last decade.

The table below indicates a consensus that the numbers of Australians living in poverty generally ranges from 2 to 3.5 million – with one study finding 1 million Australians in poverty despite living in a household where at least one adult works. In addition, there are now over 700 000 children growing up in homes where neither parent works and a great risk that many youths will never find full-time employment. Without concerted action, these children and youth will become tomorrow's disadvantaged adults.

## Poverty in Australia – Selected Estimates

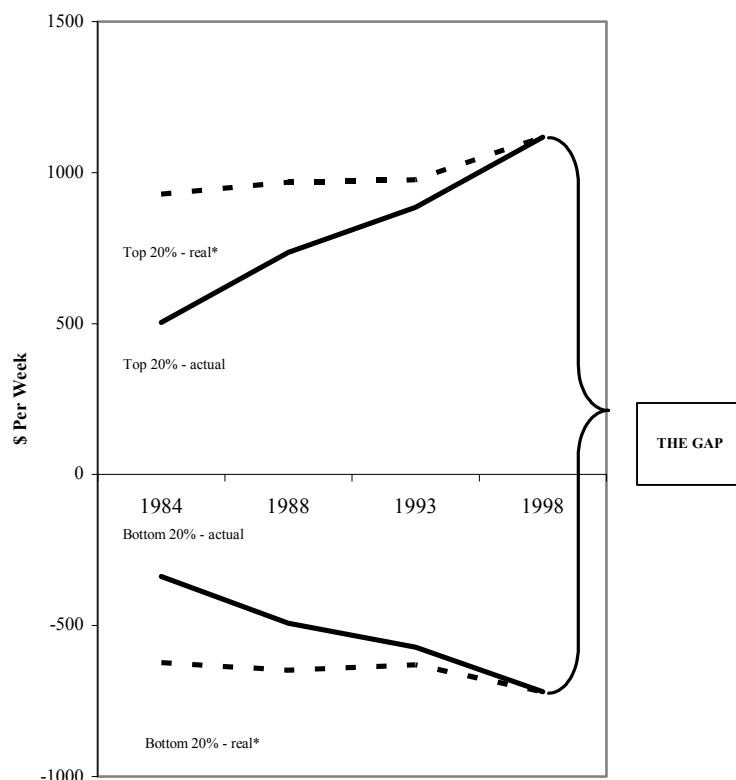
	Year	Numbers in poverty
Henderson poverty line	1999	3.7 – 4.1 million (20.5 – 22.6% of population)
St Vincent de Paul Society	-	3 million
Australian Council of Social Service	2000	2.5 – 3.5 million (13.5 – 19% of population)
The Smith Family	2000	2.4 million (13 % of population)
Brotherhood of St Laurence	2000	1.5 million
The Australia Institute	-	5 – 10% of population
Centre for Independent Studies	-	5% of population in 'chronic poverty'

*Sources:* See chapter 3, table 3.1.

This cycle of poverty demonstrates how poverty is becoming more entrenched and complex. This is evidenced by the fact that the kind of economic growth Australia is achieving has been unable to lift many Australians out of poverty.

Importantly, the committee had its attention drawn by a number of submissions to the close association between poverty and inequality – and inequality of opportunity. This is illustrative of a marked shift from Australia's egalitarian traditions, and evidenced in the rapid widening in the income gap over recent years.

### Variation From Average Weekly Household Income – Highest and Lowest 20 per cent of Incomes



\* Real Incomes expressed in constant 1998/99 dollars

*Source:* Submission 44, p.4 (SVDP National Council).



No more clearly is this drawn than by the rapid change in income inequality and wealth distribution over the last decade. As can be seen below, the income shares for both the lower and middle quintiles of the population have decreased – with the middle becoming increasingly polarised.

### Gini Coefficient and Shares for Expenditure and Income

	1984	1988-89	1993-94	1998-99	Change 1984 to 1998-99
<b>Gini coefficients<sup>a</sup></b>					
					%
Equivalent disposable income	0.298	0.295	0.306	0.311	4.4
Equivalent current expenditure	0.298	0.301	0.297	0.302	1.3
Equivalent total expenditure	0.334	0.360	0.362	0.351	5.1
Equivalent non-durable expenditure <sup>b</sup>	na	0.275	0.271	0.277	0.7
<b>Share of bottom quintile</b>					
	%	%	%	%	
Disposable income	8.2	8.1	8.0	7.4	-10.3
Current expenditure	8.3	7.9	8.3	8.2	-0.9
Total expenditure	6.8	5.1	5.7	6.0	-12.6
<b>Share of middle quintile</b>					
	%	%	%	%	
Disposable income	17.6	17.8	17.4	17.6	-0.3
Current expenditure	17.4	17.6	17.4	17.4	-0.4
Total expenditure	17.1	17.5	16.9	17.1	-0.5
<b>Share of top quintile</b>					
	%	%	%	%	
Disposable income	37.8	37.4	38.2	38.2	1.1
Current expenditure	38.1	38.0	38.0	38.3	0.5
Total expenditure	40.3	41.2	42.0	41.2	2.3

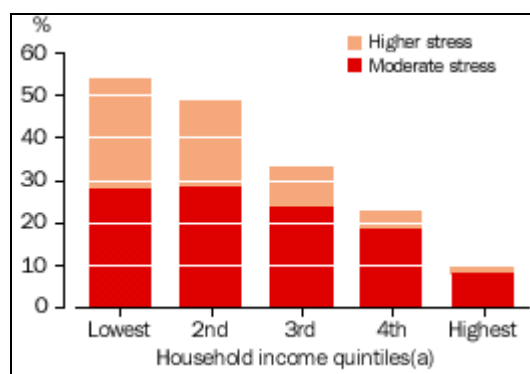
<sup>a</sup> The Lorenz curves cross in the following cases: for disposable income between 1993-94 and 1998-99; for current expenditure for all cases except between 1984 and 1998-99; and for total expenditure between 1988-89 and 1993-94, between 1988-89 and 1998-99 and between 1993-94 and 1998-99. Consequently, no conclusion can be drawn about the change in inequality during these periods. <sup>b</sup> Durable items are defined in appendix B. Non-durables items are all other items. Note that the Lorenz curves for non-durable expenditure have not been checked to determine whether they cross.

*Note:* The income and expenditure measures are the international equivalent disposable household income and expenditure of individuals.

*Source:* ABS Household Expenditure Survey unit record files.

The crucial fact is that the widespread financial stress of poor households is due directly to a decline in their real incomes. It must be stressed that for the common index of inequality, the Gini coefficient, a movement of 0.01 has deleterious effects on poverty.

### Distribution of Households in Financial Stress - 1998-99



*Source:* 'Household income, living standards and financial stress', *Australian Economic Indicators*, June 2001.

As can be seen above, the reality is that incomes have not kept pace with the increased costs of services. The deprivation detailed above is grounded in, and nurtured by, growing inequality and lack of access to such services. There is now a 'poverty of participation' by the disadvantaged in institutions of social mobility and security – such as:

- employment;
- education and training;
- health; and
- housing.

Perhaps the most salient example of the prevalence of poverty and disadvantage is the striking finding that 21 per cent of households, or 3.6 million Australians, live on less than \$400 a week – less than the minimum wage. The persistence of low-pay and low-incomes arising from the growth in inequality is clearly the major driver of poverty.

### **The Reasons behind the Rise of the 'Working Poor' as the New Face of Poverty**

This report has challenged traditional assumptions that joblessness is often a sufficient reason for the presence of poverty. The committee has heard that over 1 million Australians are living in poverty despite living in a household where one or more adults are in employment. By contrast, the 1975 Henderson report found that only 2 per cent of households with an adult employed fulltime could be classified as poor. The rise of the 'working poor' as this group has come to be known demonstrates that they are the new face of poverty in post-industrial Australia.

The prevalence of working poor households in poverty is due simply to low-wage employment. Driving this change has been a casualisation of the workforce in the last two decades and a more recent weakening of the industrial relations systems. Between August 1988 and 2002 total employment of casual workers in Australia increased by 87.4 per cent (141.6 per cent for men and 56.8 per cent for women). By August 2002 casual workers comprised 27.3 per cent of all employees, an increase of 7 percentage points since August 1991.<sup>1</sup>

The committee has found that this development entails a radical break with Australian tradition. The main bulwark against poverty since the Harvester judgement has been secure employment opportunities and just or living wages. This report has now found that over 1 million Australians are finding that this certainty has been taken away from them – through no fault of their own.

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1 ABS, *Employee Earnings, Benefits and Trade Union Membership*, Cat. No. 6310.0.

The committee found that many members of the low-wage working poor are placed in similar situations. They are often employed casually or part-time, in low skill and service industries resulting in little bargaining power with their employers. Most crucially, their low wages are unable to be increased due to the inaccessibility of fulltime work or because of unpaid overtime. Moreover, because of the precariousness and uncertainty of their employment, career progression and training is often unavailable.

The committee has also found that the rise in workforce casualisation is the result of attacks on Australia's traditional industrial relations system, which emphasised full employment opportunities and provided protection against attempts to reduce workers job security.

Moreover, the working poor are increasingly finding a poverty of access to community services due to moves by the current Federal Government to 'user-pays' models. A salient example of this has been the impacts on families arising from Medicare bulk-billing. Many working poor families now not only struggle to afford visits to their family doctor, but are also more likely to compound their health problems by avoiding visiting the doctor due to the cost.

Finally, the committee is extremely concerned about the intergenerational implications of this move away from what has often been termed the *Australian way* of ensuring the welfare and prosperity of all our people. The report has detailed the clear diminution of children's opportunities and the limitations placed on upward mobility of disadvantaged families. However, if the processes that have given rise to a new class of poverty-stricken working people are allowed to continue, then Australia may never regain its egalitarian tradition.

### **The Adequacy of Selected Commonwealth Programs and Payments of Interest to the Inquiry**

Almost every submission to this inquiry focused in one way or another on the role of Government in combating poverty. What united most submissions – especially those from charities and the community sector – is that Government should offer a hand up, and not a hand out, to those living in poverty.

The vast bulk of evidence to the inquiry found that Government is failing this expectation. On one hand, as the table below demonstrates, many payments to vulnerable Australians are well below the poverty line, and must contribute to these people either living in – or being at risk of – poverty. On the other, the committee found that Government initiatives are largely failing to provide the necessary opportunities to the people who need them – especially in the form of employment services and family payments.

### Comparison of Social Security Payments to the Henderson Poverty Line (including housing costs) – \$ per week, September quarter 2002

Family/Income Unit	Base Rate	FTB A and/or B	Rent Assistance	Total Payment \$ per week	Poverty line \$ per week	Rate as % of poverty line
<i>Head in Workforce</i>						
Single adult unemployed	\$185	N/A	\$45	\$230	\$294	78%
Single, away from home, 18-20 unemployed	\$150	N/A	\$45	\$196	\$294	67%
Couple unemployed – 0 children	\$333	N/A	\$43	\$376	\$393	96%
Sole Parent unemployed – 1 child	\$211	\$101	\$53	\$365	\$378	97%
Sole Parent unemployed – 3 children	\$211	\$228	\$60	\$499	\$536	93%
Couple unemployed – 1 child	\$333	\$63	\$53	\$449	\$473	95%
Couple unemployed – 3 children	\$333	\$190	\$60	\$583	\$632	92%
<i>Head not in Workforce</i>						
Single adult student	\$151	N/A	0	\$151	\$238	63%
Single student, away from home, 18-25	\$151	N/A	\$45	\$196	\$238	82%
Single Age/Disability Pensioner	\$211	N/A	\$45	\$256	\$238	108%
Age/Disability Pensioner couple – 0 children	\$352	N/A	\$43	\$395	\$338	117%
Sole Parent not in labour force – 1 child	\$211	\$101	\$53	\$365	\$322	113%
Sole Parent not in labour force – 3 children	\$211	\$228	\$60	\$499	\$481	104%

Source: ACOSS, *Fairness and Flexibility*, September 2003, p.41.

Without prejudicing the importance of the working poor in understanding poverty, unemployment remains a key reason for deprivation and disadvantage. It is unfortunate then, that the committee has found significant shortcomings in the Government's Job Network model of employment services that are failing the unemployed. This is because at no stage is there a significant guarantee that the long-term unemployed will receive the necessary case-management or training to find employment through the system. This report has therefore recommended significant changes to the way the Job Network operates.

The committee has also had its attention drawn to the poverty traps created by the present family payments system. This system, which governs both income support payments (such as Newstart) and family payments (such as the Family Tax Benefit)

creates effective marginal tax rates as high as 80 per cent. This is because earnings over a certain level attract additional tax but also result in a reduction in the amount of payment received. The committee agrees with the many submissions that argued this acts both as a significant barrier to additional work to increase family incomes and limits family incomes at a level inappropriate to the circumstances of many families.

A particularly current debate for all Australians – housing affordability – has created significant 'housing stress' for those at the lower end. The inquiry heard that many families are spending over 30 per cent of their incomes on either rent or mortgage repayments – often to the detriment of other family expenses. Because of the increases in both rents and house prices over the last decade, the rise in housing stress is closely linked to lower disposable incomes, and ultimately poverty. Of concern to the committee was the lack of interest shown by the current Government in low-cost housing, the absence of a national housing strategy and a decrease in the Commonwealth's funding of public housing stock.

### **Government expenditure on Commonwealth State Housing Agreement (CSHA) assistance and Commonwealth Rent Assistance (CRA)**

	CSHA assistance		CRA	
	\$m	2001-02 \$m	\$m	2001-02 \$m
1992-93	1485.4	1758.7	1199.0	1419.6
1993-94	1419.6	1662.5	1401.0	1640.8
1994-95	1509.6	1649.4	1453.0	1688.2
1995-96	1489.8	1688.4	1552.0	1758.9
1996-97	1353.4	1510.1	1647.0	1837.7
1997-98	1207.4	1328.4	1484.0	1632.7
1998-99	1276.6	1402.3	1505.0	1653.2
1999-2000	1331.0	1431.0	1538.0	1653.6
2000-01*	1406.5	1442.7	1717.0	1761.2
2001-02*	1392.3	1392.3	1815.0	1815.0

\*CSHA expenditure in 2000-01 and 2001-02 contained \$89.7 million of GST compensation paid to State and Territory Governments.

*Source:* See chapter 6, table 6.1.

The committee was also shocked by the nature and extent of children's poverty throughout the inquiry. Not only were the detrimental effects to life chances of concern to the committee, but also the extent of deprivation suffered by children in families living in poverty. In many cases Commonwealth programs offer little in response to the complex needs of children – such as literacy interventions, nutrition and parenting skills – where children are disadvantaged. For this reason the committee

has made significant recommendations in regard to early intervention strategies and support services for families with poverty stricken children.

Underpinning these selected examples is a common need to 'poverty-proof' community services and rebuild the ladders of social mobility. This means a linking up of government services at all levels and across responsibilities to ensure whole-of-government responses to poverty. This carries with it the recognition that disadvantage is increasingly concentrated and geographic and hence the implication that such a response must be localised and holistic.

Whilst the report has a number of recommendations of poverty interventions, it must be stressed that these must occur in conjunction with ensuring both employment opportunities for those that can work, and income dignity for those that cannot.

These key findings presented below serve to illustrate a compelling case that Australia will face a crisis of poverty and disadvantage in the coming years. They carry with them the implication that Australians are increasingly at risk of falling into poverty and indeed more so now than at anytime during the post-war era.

What is most disturbing however, is the common theme that while poverty is becoming more entrenched and more intractable, the Commonwealth is increasingly abrogating its responsibility to tackle this great indignity inflicted on the Australian people.

## **Conclusions and Selected Recommendations**

Economic growth is vital but only because it represents the path to greater prosperity for everyone. The evidence to this inquiry demonstrates that the kind of prosperity we are achieving is being captured by a few at the long term expense of the many.

The Commonwealth's indifference to, or acceptance of, increasing poverty and inequality as the inevitable by product of a market economy in a globalised world, is out of step with the views of Australians who believe in a fair go for all.

Indeed this has never been the Australian way. Modern Australia was founded on a strong economy and a just society. Secure and dignified employment was the cornerstone of this endeavour. The rise of the working poor due to casualisation, low pay and the weakening of job security demonstrate how this thread in Australia's institutional fabric has been torn away.

We ought not automatically assume the solutions of the past will solve the problems of today. However, this committee has made substantial recommendations to ensure that we are able to give hope to those Australians living in poverty in line with our traditions via:

- Removing the poverty traps associated with the Government's family payments system that acts as barrier to increasing working families' incomes (recommendation 15);

- 
- Developing a national jobs-strategy to reverse the decline to a low-skill, low wage economy (recommendation 1);
  - Provide employment security and social mobility to casual and part-time workers through strengthening their employment entitlements (recommendations 8, 9, 10); and
  - Poverty-proofing the minimum wage by linking it to adequate standards of living and an inquiry into the nature of low-pay in Australia (recommendations 6, 7).

The growing gulf between the headline economic figures and social outcomes at the community level also requires that key Government social and economic responses to build capacity be better joined and devolved. Without whole of government action targeted at economic growth, job creation and improved social cohesion at a local level, the geographic chasm the St Vincent de Paul Society describes as 'Two Australias' will only widen.

Nowhere is the 'Two Australias' description more appropriate than in the level of access to public services and institutions of social mobility. The committee has found that those Australians living in – or at risk of – poverty are either finding that many public services are either inaccessible or more poorly resourced than in areas of lesser disadvantage. Resolving this requires political will, and it is incumbent on the Commonwealth to ensure that all Australians are able to access the services they deserve. In this regard the committee has recommended:

- Ensuring that additional funding for schools is based on the socio-economic profile and resources of the school concerned (paragraph 7.102);
- Recognising the need for a sustained commitment to bulk-billing, and for additional population and preventive health measures (paragraphs 8.24-8.25, 8.50);
- The reestablishment of the Commonwealth dental health scheme (paragraph 8.68);
- Significant reform of the Job Network to ensure that it is able to provide the necessary and appropriate assistance and training options for the unemployed (paragraph 4.51);
- The development of national standards of access and adequacy for public services and a national public infrastructure development plan (paragraphs 14.43, 14.45); and
- It also recommended that the Commonwealth's presence in local communities currently provided by Centrelink be bolstered and more focused on building social and economic capacity (paragraphs 17.93-17.94).

It must also be stressed that a central reason why poverty is becoming more entrenched and complex is because of the increasing prevalence of social risk. Risks such as weak connections to the labour market, poor educational development and family dysfunction are both symptomatic and causes of poverty. The 'cycle of poverty' that these risks then create clearly demands interventions made at both the family, community and individual level that are sufficiently localised and tailored to break the cycle. Major examples and recommendations in this report are:

- A national, community based early childhood and parenting skills and support system (paragraph 11.94);
- A series of initiatives focused around early childhood development and literacy (paragraphs 7.49-52);
- Measures to increase school retention and smooth school to work pathways (paragraphs 7.103-7.104); and
- Expansion of financial counselling services (paragraph 9.52).

There is also a failure on the part of the Commonwealth to harness institutions such as the Council of Australian Governments (COAG), so crucial in a Federal system, to coordinate effort to address disadvantage. If we are serious about tackling poverty and poverty of opportunity, coordinated effort between Governments (including local governments) is a must.

It is for this reason that the committee has recommended the development of a National Poverty Strategy. Nothing else can harness the necessary political will to comprehensively fight poverty. This report has found that piecemeal and inconsistent responses to poverty are inadequate and ineffective as long term approaches. The development of the National Poverty Strategy will involve:

- a summit of Government and key interest groups to highlight the importance and nature of the issues raised by poverty and poverty of opportunity and to agree on a broad plan of action;
- a whole-of-government approach through co-ordinated actions across government and across policy areas; and
- a commitment to action within 12 months.

Following on from this, it is the committee's recommendation that a statutory authority or unit reporting directly to the Prime Minister be established to:

- develop, implement and monitor the National Poverty Strategy;
- develop poverty reduction targets against a series of anti-poverty measures; and
- report regularly to Parliament on its progress.



Finally, the committee would like to stress there is little room for complacency or delayed action. Although Australia by world standards is a wealthy country, the level of poverty in our community is increasing and becoming increasingly entrenched. The committee is compelled to this view after hearing the daily experiences of Australians living in poverty – from pensioners who go to bed early because they cannot afford heating and students slipping into prostitution to support their studies. Indeed it is often the most vulnerable Australians that are most at risk of poverty, such as:

- children and youth;
- families with more than one child;
- single parent families; and
- Indigenous Australians.

The indignities these Australians face must not be tolerated by Government as the unfortunate, but acceptable by-product of modern society. In the same way that we cannot afford continuing poverty as a nation, we cannot deny the same life chances to those Australians who most need the opportunity for a fair go.

Poverty and inequality in Australia today represent a fundamental test of our national resolve and values. If we are serious as a community about our claim to be a fair society – indeed the land of the fair go – then concerted action is required.



## RECOMMENDATIONS

### Recommendation 1

4.32 That the Commonwealth Government develop a national jobs strategy to:

- promote employment opportunities, particularly permanent full-time and permanent part-time jobs;
- set long-term targets for increased labour force participation;
- develop better targeted employment programs and job creation strategies;
- ensure a substantial investment is made in education, training and skill development; and
- bring a particular focus on improving assistance to young people making the transition from school to work, training or further education to prevent life-long disadvantage.

### Recommendation 2

4.33 That the Commonwealth conduct a review into the dynamics of the labour force, especially in relation to skill shortages.

### Recommendation 3

4.51 That the Commonwealth Government:

- introduce a training guarantee for long term unemployed or at risk jobseekers under the Job Network;
- introduce quality controls in the form of case management provided to jobseekers;
- provide automatic entitlement to case management for long-term unemployed people and unemployed youth;
- provide caps on the number of unemployed persons a case manager can assist within a job service environment to reduce the incentive to churn; and
- consider the feasibility of introducing a 'training and hiring' model (referred to in paragraph 4.65).

### Recommendation 4

4.52 That the Commonwealth Government introduce a range of measures, in addition to subsidised employment services, to address structural problems in the labour market.

### **Recommendation 5**

4.66 That a transitional jobs scheme for the very long term unemployed be introduced, whereby people who have been unemployed for over two years would be provided with six months employment at a training wage in the not-for-profit and public sectors.

### **Recommendation 6**

4.90 That the Australian Industrial Relations Commission establish a new minimum wage benchmark based on a wage level that enables a single full-time worker to achieve an adequate standard of living relative to contemporary community standards.

### **Recommendation 7**

4.104 That the Commonwealth Government conduct an inquiry into low-paid employment and that this inquiry examine:

- the nature and extent of low-paid employment in Australia;
- the introduction of a workable floor in relation to the minimum hours of work offered by employers;
- the problem of casualisation and employment security;
- the feasibility of attaching standards in relation to wages and conditions to Government funding of services; and
- the wages and conditions pertaining to contract labour.

### **Recommendation 8**

4.122 That the *Workplace Relations Act 1996* be amended to provide definitions of 'full-time' and 'permanent part-time' work.

### **Recommendation 9**

4.123 That the Commonwealth legislate to guarantee the right to standard entitlements, such as annual leave and sick leave, for casual workers converting to permanent part-time work.

### **Recommendation 10**

4.133 That the Commonwealth legislate to guarantee the right to standard entitlements, such as annual leave and sick leave, for labour hire workers.

### **Recommendation 11**

5.30 That the Commonwealth Government:

- consider increasing the base rates of allowances to the level of pension payments and that these payments be indexed to 25 per cent of MTAW; and

- 
- consider the feasibility of introducing this reform by 2005.

### **Recommendation 12**

5.41 That the Commonwealth and the States review their approach to concessions by:

- establishing common eligibility criteria for concessions by removing anomalies in the level and scope of concessions between pensioners and allowees;
- that priority for access to concessions be directed to low income pensioners and allowees; and
- that information be widely disseminated on the nature and extent of concessions available.

### **Recommendation 13**

5.50 That the Commonwealth Government introduce a means-tested participation allowance, to broaden and replace existing payments, to meet the additional costs, up to a prescribed level, associated with jobsearch, work experience or further education and training activities of jobseekers.

### **Recommendation 14**

5.70 That the breaching and penalty system be amended in line with the recommendations of the Pearce Review; namely 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.

### **Recommendation 15**

5.84 That the Commonwealth Government review social security income tests:

- to reduce the high effective marginal tax rates for many unemployed people with casual or part time work;
- reduce the high effective marginal tax rates for families caused by the combined effect of income tests for Family Tax Benefit A, Child Care Benefit and Youth Allowance, in cases where a family has children attracting more than one payment.

### **Recommendation 16**

6.22 That the Commonwealth Government provide a commitment to the continued operation of the Supported Accommodation Assistance Program.

**Recommendation 17**

6.43 That base funding arrangements for public housing be increased under the Commonwealth-State Housing Agreement.

**Recommendation 18**

6.44 That the Commonwealth and the States:

- increase funding for the maintenance of current housing stock;
- increase funding for new public housing stock; and
- develop strategies to increase investment from the private sector into public housing.

**Recommendation 19**

6.65 That, in supporting the current review being undertaken by the working group into residential tenancy databases, the Commonwealth Government, in co-operation with the States, develop national guidelines as a matter of priority in relation to the operation of tenancy databases.

**Recommendation 20**

6.70 That the Commonwealth Government develop a national housing strategy in consultation with key stakeholders including State Governments, community housing providers, the construction industry and the finance sector; and that this national strategy involve:

- the development of specific strategies to achieve growth in the supply of affordable housing through both public and private investment, particularly for low income groups;
- a review of the effectiveness of Commonwealth Rent Assistance in providing affordability and access to the private rental market; and
- a review of the relative funding priorities in relation to social housing and Commonwealth Rent Assistance.

**Recommendation 21**

7.30 That the Commonwealth work with State and Territory education departments to identify those students who are at most risk of poor literacy and numeracy attainment and provide additional funding to enhance literacy and numeracy programs so as to meet the national literacy and numeracy goals.

**Recommendation 22**

7.31 That the National Report on Schooling in Australia provide the results of literacy and numeracy benchmarking by socioeconomic group.

**Recommendation 23**

7.49 That the Task Force on Child Development, Health and Wellbeing develop as a matter of urgency a national program for early childhood education.

**Recommendation 24**

7.50 That the Commonwealth, in conjunction with the States and Territories, develop initiatives to improve participation in early childhood education.

**Recommendation 25**

7.51 That the Commonwealth, in partnership with the States and Territories, develop and contribute to the funding of early childhood education.

**Recommendation 26**

7.52 That the Task Force on Child Development, Health and Wellbeing develop and implement special literacy programs for parents wanting to develop the skills to assist their children with early childhood learning.

**Recommendation 27**

7.70 That the Commonwealth provide funding to establish school breakfast programs in disadvantaged areas.

**Recommendation 28**

7.102 That the Commonwealth provide additional funding for schools based on the socioeconomic profile of the school community to improve services provided to disadvantaged students.

**Recommendation 29**

7.103 That the Commonwealth work with the State and Territory Governments to develop effective policies and identify successful programs that improve retention rates of young people in danger of leaving school early and re-engage early school leavers to return to education at school or TAFE; and to provide additional support for those programs.

**Recommendation 30**

7.104 That the Commonwealth provide additional funding for the TAFE sector aimed at providing support for those students wishing to complete their school education in TAFE institutions.

**Recommendation 31**

8.50 That the Commonwealth provide additional funding for preventive health and related measures, and that this funding be directed particularly at socioeconomically disadvantaged areas.

### **Recommendation 32**

8.68 That a jointly funded Commonwealth-State national dental health scheme be established to improve access to dental services for people on low incomes, and that it be modelled on the former Commonwealth Dental Health Program.

### **Recommendation 33**

9.8 That public and private utilities have in place hardship provisions that provide for the reduction or waiver of debt to ensure that customers genuinely unable to pay for the provision of utilities retain access to these essential services.

### **Recommendation 34**

9.21 That all States and Territories require credit providers to undertake a satisfactory assessment process prior to an increase in the credit limit available to a client to determine that person's creditworthiness.

### **Recommendation 35**

9.40 That the Consumer Credit Code be amended:

- to impose additional requirements for high cost loans provided by fringe credit providers, relating to:
  - disclosure of the comparison rate (the total cost of the loan, including interest and all fees and charges to a single percentage rate) on the loan offer;
  - disclosure of a statutory warning on the loan offer that the particular loan is an expensive form of credit; and
  - disclosure of information regarding the cancellation of direct debit authorities and avenues for complaints on the loan offer.
- to clarify that all credit providers must disclose an annual percentage rate (APR).
- to prohibit the taking of security over essential household goods.
- to prevent fringe credit providers from circumventing the application of the Code by setting up the credit transaction as a pawnbroking or broker arrangement.

### **Recommendation 36**

9.44 That a Ministerial Council on Pawnbroking be established to review the adequacy of existing regulation of the industry.



**Recommendation 37**

9.48 That State and Territory Governments fund more community education programs in relation to credit and credit-related matters.

**Recommendation 38**

9.49 That credit providers be required to provide clear, 'plain English' information on credit products to potential clients.

**Recommendation 39**

9.52 That Commonwealth and State and Territory Governments increase funding to financial counselling services.

**Recommendation 40**

9.74 That the Commonwealth Government, in co-operation with State Governments through the Ministerial Council on Gambling, continue the development of a national approach to problem gambling, and that this approach examine:

- the adequacy of current regulatory mechanisms;
- the need for further harm minimisation and prevention measures; and
- the adequacy of support services for problem gamblers and their families.

**Recommendation 41**

10.31 That the Commonwealth provide additional funding to increase the number of child care places available, particularly in disadvantaged areas.

**Recommendation 42**

10.98 That the Child Support Agency review its debt collection procedures to ensure that debt repayment is made on a regular and timely basis so as to not disadvantage custodial parents and their children.

**Recommendation 43**

11.94 That the Commonwealth, in cooperation with the States and Territories, develop a comprehensive system of community-based early childhood and parenting support for all families.

**Recommendation 44**

11.95 That the Commonwealth and State and Territory Governments cooperate to ensure that additional intensive services are funded for disadvantaged families experiencing multiple and complex problems which impact on the care of children. Further, that the provision of such services in Indigenous communities be given a high priority.

**Recommendation 45**

11.96 That the Commonwealth conduct an audit of existing rules relating to parents receiving income support payments to ensure these do not place children at risk of hardship.

**Recommendation 46**

11.97 That the Commonwealth develop and implement a community education campaign for new parents aimed at improving the nutrition of children.

**Recommendation 47**

12.57 That the Commonwealth provide funding for the expansion of access to the New Apprenticeships scheme, particularly in rural and regional areas.

**Recommendation 48**

12.58 That the Commonwealth work with industry and unions to maximise the take up of apprenticeships in areas where there are recognised skills shortages and to ensure that training is relevant to enterprises and apprentices themselves.

**Recommendation 49**

12.59 That the Commonwealth undertake a review of New Apprenticeships to evaluate the effectiveness of policies; recruitment and selection; progression through the scheme; and employment outcomes after training.

**Recommendation 50**

12.82 That the Commonwealth initiate an employment assistance program, based on the United Kingdom Gateway program, to provide youth with intensive assistance and an agency providing comprehensive support for youth pathways.

**Recommendation 51**

12.86 That the Commonwealth and State Governments implement strategies to improve access to employment opportunities for young unemployed people, in particular those young people living in rural and remote areas.

**Recommendation 52**

12.88 That the Commonwealth provide additional funding to community organisations to enable them to provide education, training and housing assistance packages to young homeless people.

**Recommendation 53**

12.90 That the Commonwealth progressively lower the age of independence test for Youth Allowance from 25 to 21 years.

**Recommendation 54**

12.91 That the Commonwealth review its income support programs for young people to fully recognise changes in the Australian labour market.

**Recommendation 55**

12.93 That Centrelink expand forms of service delivery which are responsive to the needs of young people, particularly young homeless people.

**Recommendation 56**

12.108 That the parental income test for Youth Allowance be increased and maintained as a percentage of Average Weekly Earnings.

**Recommendation 57**

12.119 That Rent Assistance be extended to those receiving Austudy payments.

**Recommendation 58**

13.13 That the Commonwealth, in conjunction with State Governments, provide a range of incentives to stimulate the growth of industries and employment in Indigenous communities.

**Recommendation 59**

13.14 That the Commonwealth and State Governments, in co-operation with the private sector, establish partnerships with Indigenous communities to promote employment opportunities.

**Recommendation 60**

13.21 That Community Development Employment Projects participants have access to the full range of assistance available under the *Australians Working Together* package in order to increase social and economic participation of Indigenous people.

**Recommendation 61**

13.27 That the Commonwealth provide additional funding for Indigenous-specific housing programs.

**Recommendation 62**

13.50 That the Commonwealth work with the States and Territories to develop strategies to improve access of Indigenous children to early childhood education facilities.

**Recommendation 63**

13.51 That the Commonwealth provide additional funds specifically for improving Indigenous literacy and numeracy.

**Recommendation 64**

13.52 That the Commonwealth investigate the impact of the changes to ABSTUDY on the participation of Indigenous students and implement changes to improve ABSTUDY assistance to Indigenous students.

**Recommendation 65**

13.57 That the Commonwealth and the States continue to implement programs and strategies to improve access to health care services for Indigenous people.

**Recommendation 66**

13.66 That the Commonwealth provide additional funding to improve the affordability of child care for Indigenous children.

**Recommendation 67**

13.78 That the Commonwealth provide additional funding for Aboriginal and Torres Strait Islander Legal Services.

**Recommendation 68**

13.79 That the States provide additional assistance for programs that address recidivism and post-prison release support services for Indigenous people.

**Recommendation 69**

14.42 That the Commonwealth and State Governments maintain and expand services in such areas as health, education, housing and transport to rural and regional areas.

**Recommendation 70**

14.43 That the Commonwealth and State Governments set national minimum standards for access to essential community services, such as health, education and welfare services in rural and regional areas.

**Recommendation 71**

14.44 That State Governments maintain and expand regional development strategies in rural and regional areas.

**Recommendation 72**

14.45 That the Commonwealth Government develop a national public infrastructure development program targeted to regional areas focusing on such areas as transport, hospitals and schools.

**Recommendation 73**

14.46 That State Governments encourage the expansion of labour-intensive private sector services in regional areas by improving education and training and

other public infrastructure and/or providing tax concessions or other subsidies to encourage employers to relocate to regional areas.

**Recommendation 74**

14.47 That State Governments support local employment and social development initiatives in rural and regional areas.

**Recommendation 75**

15.27 That the Commonwealth increase support to educational and other programs which enable older Australians to remain active members of the workforce.

**Recommendation 76**

15.34 That the Commonwealth Government review the special needs of ageing carers in relation to retirement income and income support.

**Recommendation 77**

15.39 That the Commonwealth, in conjunction with the State and Territory Governments, ensure that there are adequate guidelines in place to protect older Australians who use home equity conversion products.

**Recommendation 78**

15.50 That the Commonwealth Government provide additional funding for programs which provide support services for the aged homeless including additional funding to ensure greater access to aged care accommodation.

**Recommendation 79**

15.93 That the Commonwealth enable Temporary Protection Visa holders to access English language training and employment assistance in addition to existing services.

**Recommendation 80**

15.95 That the Commonwealth Government investigate additional avenues to enable migrants and refugees to have qualifications recognised and to upgrade skills to ensure that migrants and refugees are able to find appropriate employment as soon as possible following arrival in Australia.

**Recommendation 81**

16.25 That the Commonwealth introduce a disability allowance to meet the additional costs associated with disability.

### **Recommendation 82**

16.36 That the Commonwealth re-commit to employ people with disabilities in the public sector in proportions that reflect their representation in the wider community.

### **Recommendation 83**

16.37 That the Commonwealth Government and the States continue to implement strategies to promote greater employment of people with disabilities in the private sector.

### **Recommendation 84**

16.52 That the Commonwealth and the States continue to implement programs and strategies to improve access to educational opportunities for people with disabilities, including the recommendations of the Senate Employment, Workplace Relations and Education References Committee report on the *Education of Students with Disabilities*.

### **Recommendation 85**

16.77 That the Commonwealth Government review:

- the level of income support provided to carers, especially the rate of Carer Allowance;
- the income support and other support needs of carers with special needs, such as young carers and ageing carers (also the subject of a separate recommendation); and
- the level of respite care provided for carers.

### **Recommendation 86**

16.78 That where young carers have primary care responsibilities in their families, adequate financial support measures be available, including removing current restrictions that discourage young people from combining paid work or study with their caring responsibilities.

### **Recommendation 87**

16.79 That, as a matter of priority, the Commonwealth relax the rules for adult carers who live adjacent or near to the person they are caring for to enable them to receive Carer Allowance.

### **Recommendation 88**

17.40 That the Commonwealth increase the current level of emergency relief funds allocated to agencies.

**Recommendation 89**

17.56 That the Commonwealth government streamline the funding arrangements for all its community funding programs.

**Recommendation 90**

17.57 That the Commonwealth conduct an audit of its community funding programs to determine:

- whether they are located in the areas of greatest need;
- the degree to which complementary services are co-located;
- that there is an identifiable continuum of services from capacity building through to tertiary and crisis support.

**Recommendation 91**

17.58 That COAG conduct an audit similar to that in the previous recommendation to determine the adequacy of Commonwealth, State and local government funded community services in local communities.

**Recommendation 92**

17.93 That Centrelink Community Service Centres be resourced to establish local management advisory committees with membership drawn from its customer base, emergency relief providers, local schools, the police, employers and community representatives to sensitise service delivery to local needs.

**Recommendation 93**

17.94 That Centrelink CSCs be resourced to act as community service hubs for Commonwealth government-funded programs to ensure there is a greater connection between income support and other human service delivery.

**Recommendation 94**

18.46 That a comprehensive anti-poverty strategy be developed at the national level and that this involve:

- an initial summit of Commonwealth, State and local governments, the welfare sector, unions, the business sector, community groups, income support customers and relevant experts in the field to be held to highlight the importance of the issue and agree on a timetable for action;
- a commitment to achieve a whole of government approach. That is, coordinated action across policy areas such as employment, health, education, income support, community services, housing and other relevant areas to reduce poverty and poverty of opportunity;
- not longer than a 12-month period of consultation.

**Recommendation 95**

18.47 That a statutory authority or unit reporting directly to the Prime Minister be established with responsibility for developing, implementing and monitoring a national anti-poverty strategy and that this entity:

- establish benchmarks and targets to measure progress against a series of anti-poverty objectives;
- report regularly to the Parliament on progress against the strategy; and
- undertake or commission research into a range of poverty-reduction measures.



# CHAPTER 1

## INTRODUCTION

### Terms of reference

1.1 On 21 October 2002, the Senate, on the motion of the Committee Chair, Senator Steve Hutchins, referred the issue of poverty and financial hardship in Australia to the Committee for inquiry and report. The full terms of reference were to inquire into and report on the following matters:

1. (a) the extent, nature and financial cost of:
    - (i) poverty and inequality in Australia,
    - (ii) poverty amongst working Australians,
    - (iii) child poverty in Australia, and
    - (iv) poverty in Australian communities and regions;
  - (b) the social and economic impact of changes in the distribution of work, the level of remuneration from work and the impact of under-employment and unemployment;
  - (c) the effectiveness of income-support payments in protecting individuals and households from poverty; and
  - (d) the effectiveness of other programs and supports in reducing cost pressures on individual and household budgets, and building their capacity to be financially self-sufficient.
2. That, in undertaking its inquiry, the committee also examine:
    - (a) the impact of changing industrial conditions on the availability, quality and reward for work; and
    - (b) current efforts and new ideas, in both Australia and other countries, to identify and address poverty amongst working and non-working individuals and households.

### Conduct of the inquiry

1.2 The inquiry was advertised regularly through the Senate's fortnightly column in The Australian and through the Internet. Invitations were also sent to the Commonwealth and State Governments and other interested organisations and individuals. The Committee received 259 public submissions and 15 confidential submissions. The Committee also received a large volume of additional information both at and after the public hearings. A list of the individuals and organisations who made a public submission to the inquiry and the additional information authorised for publication by the Committee is at Appendix 1.

1.3 The Committee heard evidence on 17 days between April and August 2003 in all State and Territory capital cities. The Committee also held hearings in regional centres in Queensland, New South Wales and Victoria. In addition, Committee members visited a number of community centres to observe first hand the services provided at these facilities. 340 witnesses gave evidence at the hearings representing a wide range of organisations and perspectives in relation to the inquiry. Members of the Committee were especially moved to hear the personal testimonies of many individuals of the impact of living in poverty. The list of witnesses who gave evidence at the Committee's public hearings and the inspections undertaken by the Committee is provided in Appendix 2. The transcripts of the public hearings can be accessed through the Internet at: <http://www.aph.gov.au/hansard>.

1.4 The Committee has received much assistance through this inquiry and would like to express its deep appreciation and thanks to a number of people:

- To all those people who made submissions, provided additional material and information, or gave evidence to the inquiry. In particular the Committee would like to thank the representatives from the many St Vincent de Paul Conferences and all the other individuals who appeared and shared their personal stories;
- To the community groups that opened their facilities for the Committee to visit and who shared their valuable time in meeting and discussing issues with the Committee members that provided them with a range of valuable insights into the practical issues associated with poverty;
- To Therese Postma, Newcastle City Council, Peter Prants, Holroyd City Council and the Community Council on Palm Island for assisting with arrangements for the inspections undertaken in their areas; and
- To officers of the Parliamentary Library for their assistance with research and the provision of statistical and other information.

### **Structure of the Report**

1.5 The Committee's terms of reference are extensive, reflecting that poverty is a very broad concept. By necessity this has been a wide ranging and complex inquiry. In reflecting this, the report has been divided into three main sections.

1.6 Firstly, chapters 2 and 3 deal with defining and measuring poverty and the nature and extent of poverty in Australia. The second section, chapters 4 to 9, examines key issues or indicators central to poverty – unemployment, income support, housing, education and training, health and other issues of access to utilities, consumer credit, and problem gambling. Groups within society that are at particular risk of poverty are covered in the third section, chapters 10 to 16. They are women and sole parents, children and families, youth and students, Indigenous Australians, rural and regional communities, older people, migrants and refugees, and people with a disability. Finally the Committee discusses the role played by and the impact that poverty has

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had upon a range of service providers including community and welfare agencies, local government and Centrelink, and concludes with an outline for future directions and the need for a national approach to poverty alleviation.

### **The Committee's approach to poverty**

1.7 The discussion in chapter 2 notes that poverty as a concept is difficult to define and many conflicting views were put to the Committee as to what constitutes poverty and how best to measure it.

1.8 Poverty is broadly defined in absolute and relative terms. Absolute poverty refers to people who lack the most basic of life's requirements: food, housing or clothing. With the exception of some remote Indigenous communities and homeless people who sleep rough and have no material possessions, it is generally argued that the meaning of poverty in Australia differs to that of absolute deprivation or subsistence existence.

1.9 Relative poverty is defined not in terms of a lack of sufficient resources to meet basic needs, but rather as lacking the resources required to participate in the lifestyle and consumption patterns enjoyed by others in society. The Smith Family emphasised this point by titling its submission 'Barriers to Participation'. Poverty in Australia is regarded as fundamentally about a lack of access to the opportunities most people take for granted – food, shelter, income, jobs, education, health services, childcare, transport and safe places for living and recreation.<sup>1</sup> However, poverty is a multidimensional concept that goes beyond just material deprivation; it also includes exclusion from social networks and isolation from community life.

1.10 The Committee agrees with these views, so that when it refers to poverty in this report it is referring to a concept of deprivation, of lack of opportunity to participate fully in society, of social isolation and exclusion.

1.11 The Committee has viewed poverty as an overarching concept, underneath which are the range of many key issues or indicators of poverty – unemployment, housing, health, education – that have often been treated as separate issues and addressed individually in a number of inquiries and reports. The Committee has tried to demonstrate the interconnectedness of these individual components – by focussing from two angles: that of the key issues central to poverty and the groups at major risk of poverty – and how these components link and impact upon each other under the overarching banner that is poverty in Australia.

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1 National Statement on Poverty by 13 major community service organisations, dated 31 January 2002.



## CHAPTER 2

### DEFINING AND MEASURING POVERTY

*Poverty is essentially the lack of the means to live. At the heart of any consideration of poverty lies the issue of what is needed to live "a decent life" and, more fundamentally, what it is to be human.<sup>1</sup>*

2.1 This chapter provides an overview of issues relating to poverty and the measurement of poverty. Specifically, it addresses issues related to the differing definitions of poverty, the ways in which poverty may be measured and various problems that arise in any attempt to measure poverty. These issues have been the subject of extensive debate and controversy over many decades. That this is the case is not surprising. As one submission noted 'in effect the measurement of poverty and inequality seeks to quantify a set of values, and value judgements, of a society'.<sup>2</sup>

#### **What is poverty?**

2.2 Poverty as a concept is difficult to define and during the Committee's inquiry there were differing views amongst participants as to what constitutes poverty or how best to measure it (a problem shared with academic researchers and the community generally). One study has argued that the only point of general agreement is that people who live in poverty must live in a state of deprivation, a condition in which their standard of living falls below some minimum acceptable standard.<sup>3</sup>

2.3 Submissions and other evidence to the inquiry provided a range of approaches to the conceptualisation and definition of poverty. Poverty can be broadly defined in absolute or relative terms. Absolute poverty refers to people who lack the most basic of life's requirements and is measured by estimating the numbers of individuals or families who cannot provide for the necessities of life such as housing, food or clothing. Commentators have generally argued that the meaning of poverty in a relatively advanced country like Australia is quite different from the absolute deprivation or subsistence which exists in many developing countries and therefore the concept of absolute poverty has little relevance to conditions in Australia.<sup>4</sup> However, the Aboriginal and Torres Strait Islander Commission (ATSIC) noted that some remote Indigenous communities are in absolute poverty in Australia, measured by poor infrastructure with associated diseases that are largely eradicated in other

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1 *Submission 133*, p.3 (UnitingCare Australia).

2 *Submission 165*, p.67 (FaCS).

3 Greenwell H, Lloyd R & Harding A, 'An Introduction to Poverty Measurement Issues', NATSEM Discussion Paper No 55, December 2001, p.10.

4 *Submission 1*, p.1 (Dr Mendes).

parts of Australia and with high child mortality rates.<sup>5</sup> Another submission also commented that instances of infant mortality and malnutrition amongst Indigenous Australians, for example, indicate the presence of absolute poverty in Australia.<sup>6</sup> Other examples of absolute poverty include the homeless or those at risk of homelessness and/or those with very few material possessions who rely on social security benefits and charities just to 'get by'.

2.4 In affluent Western countries like Australia poverty is usually conceived in relative rather than absolute terms. Relative poverty refers to individuals or families that have low incomes or other resources relative to other individuals or families. Relative poverty is defined not in terms of a lack of sufficient resources to meet basic needs, but rather as lacking the resources required to participate in the lifestyle and consumption patterns enjoyed by others in the society.<sup>7</sup>

2.5 Evidence to the Committee has generally defined poverty in relative terms as is illustrated in the definitions provided below.

### **Definitions of Poverty**

#### ***ACOSS***

Poverty is an enforced lack of socially perceived necessities. This definition has three core elements:

- a lack of necessities;
- that necessities are socially defined;
- that the lack of necessities is caused by limited material resources.

*Submission 163, p.38 (ACOSS).*

#### ***St Vincent de Paul National Council***

Poverty has two elements:

- financial and/or economic disadvantage for an individual or household; and
- inequality of opportunity where the expectations of the poor and disadvantaged are well below community norms and expectations.

While financial disadvantage is an important part of the problems for the poor and disadvantaged, equally important is the inequality of opportunity. It is this lack of opportunity which brings about poverty and/or prevents people from escaping the poverty cycle.

*Submission 44, p.6 (St Vincent de Paul National Council).*

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5 *Submission 244, p.10 (ATSIC).*

6 *Submission 98, p.1 (BSL).*

7 See Harding A & Szukalska A, *Financial Disadvantage in Australia – 1999*, Smith Family, 2000, p.25.

### ***Mission Australia***

Poverty includes social, psychological and spiritual dimensions, in addition to financial hardship.

The inevitable consequence of adopting such an inclusive understanding of the nature of poverty is to appreciate the breadth of the impact which poverty has on a person's ability to function as a full member of society. It is not just a matter of being unable to buy things, but of being unable to participate – of being excluded and isolated from one's fellow human beings.

*Submission 169, p.8 (Mission Australia).*

### ***UnitingCare Australia***

Poverty is essentially the lack of the means to live.

The Christian tradition understands that people have, in addition to basic physical needs such as food, shelter and clothing, other basic needs, such as the need for education, the need to participate in society and contribute to the common good, the need for intellectual, cultural and creative activity, the need to participate in religious activity and community and the need for rest and recreation. Without these other basic needs being met, human beings may survive but do not flourish.

*Submission 133, p.3 (UnitingCare Australia).*

### ***Brotherhood of St Laurence***

Poverty is both:

- the lack of access to an adequate material standard of living (in terms of food, shelter, clothing and health) resulting primarily, but not only, from inadequate income; and
- the lack of opportunity to participate fully in society (for example through employment, education, recreation and social relationships).

"Adequacy" is defined in relation to community standards and may change over time, as do standards of living for the community as a whole.

*Submission 98, p.1 (Brotherhood of St Laurence).*

2.6 While definitions of poverty vary, they generally share common features. As noted above, ACOSS defines poverty as an enforced lack of socially perceived necessities, which has a number of core elements which it shares with other definitions of poverty.

2.7 Necessities are resources – goods and services – that people cannot reasonably live without. The adequacy of resources and whether or not they are necessary needs to be gauged according to people's needs. Poverty is usually defined with reference to a set of basic human needs – physical survival and comfort, and the need to participate in the economic and social life of the community. This suggests that poverty has two forms which ACOSS refers to as 'subsistence poverty' – an inability to meet basic physical needs, and 'participation or social poverty' – an inability to meet social needs.

Examples of subsistence poverty include inadequate diet, sub-standard housing or denial of basic health services. Examples of participation poverty include an inability to meet regularly with family or friends, to travel to job interviews, to afford school books and excursions for children, or to complete an education. These forms of poverty are closely related but are distinct. People may have all the resources they need to subsist but lack the resources required for social participation. Participation poverty has much in common with the idea of social exclusion, a term that usually refers to the exclusion of people from mainstream social and economic life.<sup>8</sup>

2.8 Similar arguments were provided by Professor Peter Saunders of the Social Policy Research Centre who argued that despite the apparent diversity in the definitions of poverty most encompass a number of core features. These are that poverty is a situation in which resources are not adequate to meet basic needs and that any definitions usually embody community perceptions of poverty in some way. He argued that a definition of poverty as an enforced lack of socially perceived necessities captures the critical aspects of poverty succinctly. It also emphasises the fact that poverty is a situation which is forced onto people, not chosen by them.<sup>9</sup> This fundamental point was constantly raised in evidence to the inquiry.

2.9 Several submissions argued that the lived experience of the poor should also be taken into account in defining poverty. One submission noted that ideally submissions to a poverty inquiry such as this inquiry should not be written by professional social analysts, economists or even welfare practitioners but should be written by the poor themselves – 'only those who are, or have been, genuinely poor can do justice to the experience of the suffering of those economically disadvantaged'.<sup>10</sup> Another submission referred to a number of social surveys of disadvantaged people which demonstrated their capacity to present a detailed and multifaceted understanding of what it means to be disadvantaged in Australian society.<sup>11</sup>

2.10 The Committee recognises these issues and was deeply moved by the personal descriptions from those people experiencing poverty and those working directly with the poor and disadvantaged 'at the coalface'. The Committee's many hearings conducted throughout urban and regional Australia provided an opportunity to hear directly of the experiences and difficulties of people living in poverty and those working closely with them, especially through welfare agencies. Their collective insights were particularly valuable and provided a useful reference point for framing many of the Committee's approaches to poverty alleviation. A number of these individual contributions are provided below.

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8 *Submission* 163, pp.38-39, 48 (ACOSS).

9 *Submission* 95, p.15 (Professor Saunders). See also *Submission* 44, p.15 (SVDP National Council).

10 *Submission* 148, p.7 (Catholic Welfare Australia).

11 *Submission* 71, pp.1- 4 (Dr Serr).



### **What it Means to be Poor**

A lot of people that have been here have spoken of how they came to be in poverty. I am speaking as someone who lives in poverty...It does not matter how a person comes to live in poverty, and it does not matter what it says in the dictionary as its definition; poverty is everything. You cannot afford basic needs. The first thing that you let go of is yourself...When you are sitting down trying to work out a budget on \$342, straightaway you see \$48 for groceries and \$28 for toiletries and other necessities – that is \$70 already. Then you add rent on to that. That is not having a car – which is a luxury, I believe – or a telephone, because it is not a necessity. The needs of life are not covered by what is put in. It does not matter whether you are on unemployment or a pension. You break it down: it is not enough for anybody to sustain a standard of living.

*Committee Hansard 4.08.03, p.1198 (Miss Catherine Gammage, Brisbane).*

I live in a moderately middle-class suburb...It is not totally affluent but I know some people around me in the cul-de-sac and up the street who cannot afford heating. They go to bed at dark. They cook their dinner early, they turn on their electric blanket and they take their dinner to bed with them so that they will not have to turn on the heating. They cannot afford wood. They cannot afford their oil heater and their oil heaters are sitting there unused and going rusty. That is not just one or two people; there are many. People say, "What a good idea! Right." So for quite a number of people that is the norm in what is not a poor suburb. These are people who have worked hard all their lives. They are not on pensions, they are not eligible for a pension, but they cannot afford heating.

*Committee Hansard 2.05.03, p.222 (Tasmanian Poverty Coalition).*

What I hear is absolute pain, the pain of poverty. Let us not walk away from that: it is a very painful experience. I am still haunted by the story of a person who did not appear at but whose story was told at a recent Just Jobs conference. This was a man who lived in the Huon Valley who had become totally isolated by his poverty, to the degree that he did not leave or very rarely left his home. He remained shut up in his house because of the shame, the feelings of rejection and the sense of isolation from his community. When we have people who are shut up in their homes because of the experience of poverty, people who are not interacting with others, then I think we have a serious problem on our hands.

*Committee Hansard 2.05.03, p.212 (Tasmanian Catholic Justice & Peace Commission).*

Like millions of other low-income Australians, I am one of the hidden poor, just keeping afloat. We are flat out treading water out here. We are making very little headway towards our aspirations, and we are one crisis or catastrophe away from the poor box. We are living on the edge.

We live in the shadows of the dismal statistics. We are not mad, bad, sad or totally dysfunctionally overwhelmed by our life circumstances. Many of us are highly skilled and well educated. We are all doing what we can to contribute to society with the resources we have. Our poverty is poverty of resources, services and opportunities...it is getting too hard to make ends meet, let alone work towards our dreams.

*Committee Hansard 1.07.03, p.874 (Miss Margaret Clarke, Byron Bay).*

I want to stress in relation to this delegation that we are not policy experts but we are experts on the lived experience – the lived experience of these people who have suffered the pain and heartache of poverty in the city of Sydney. It is clear from the stories we will hear today that poverty is on the increase. I have a clear example of this. I am a coordinator of our night patrol service. Here tonight in Sydney – at Martin Place, Kings Cross, Central Station and down the back of Kent Street we work with homeless people. In 1998 we worked with 23,000 cases. In 2002 we worked with 43,000 cases. That is a 20,000 increase in the number of people we work with every year. I am not just talking about men with alcohol and drug addiction, I am talking about men, women and children. Only last Tuesday an unregistered Commodore car followed us around the back of Kings Cross. It was a family of three children and a single father, looking for something to eat and for some kind of support from us.

*Committee Hansard* 26.05.03, p.357 (St Vincent de Paul Society – Sydney Archdiocesan Council).

I move on to poverty. Personal family stress, constantly juggling finances or being in debt, no spare money to cover unexpected expenses, like the broken-down fridge or hot water service, even birthdays and celebrations, never being able to make lifestyle choices like going to the movies or going out for dinner. Because of those sorts of things people never develop a real sense of hope.

*Committee Hansard* 29.05.03, p.570 (Salvation Army, Newcastle).

My memory of one instance of real poverty, which I guess is why we are all here today, relates to a call for assistance we had from a client. We got a phone call from this fellow and I said, 'Before we come and see you, what's your problem?' He said, 'I'm hungry' 'To save me the time, could you tell us what your basic requirements are?' This will stagger you. His answer was, 'Seven loaves of bread, some pasta, some vegemite, some cereal, three litres of milk, some meat sauce and a couple of incidentals.' We went and bought it. It cost \$39.71.

So we went around to this chap's place in Pottsville, which is a pretty nice area to live, but it was a run-down place. It was I guess earmarked for redevelopment. We went inside with the client – and let us call him Trevor – and he was there with his two young boys. These kids were perhaps 10 and 12. We walked in with the bags of food and their eyes just lit up. We sat down at a battered camp table with four chairs – you know the fold-out gear – put the bags of food on the table and then started to talk. The kids straightaway got the bags of food, looked inside them and started to put the food away...So we were there and we were asking what else we could do for him. 'You've done absolutely more than enough,' he told us. 'I'll be right. There are more deserving people.' My companion on that day was the mayor of a well-known inland town in central New South Wales...he came away, like me, thinking that that was real poverty, just to see the way those kids operated. That guy had pride. He did not want any further help. He reckoned that was his help and that was going to get him over the line. They got all those loaves of bread, and you can imagine what they were going to do.

*Committee Hansard* 1.07.03, pp.851-52 (St Vincent de Paul Society – Tweed Byron Regional Council).

## **Poverty and inequality**

2.11 'Poverty' and 'inequality' are distinct concepts although the terms are often used interchangeably. One submission has defined 'poverty' as a state where people lack

access to the resources required to maintain a socially-defined 'acceptable' standard of life, whereas 'inequality' may be defined as a condition where people have fewer resources than others in society. It has been noted that poverty may increase even as inequality is reduced. This may occur, for example, if reductions in income inequality are brought about by increasing taxation to the point where it undermines economic incentives. Equally, it is possible for poverty to be reduced even as inequality widens. This has been the case in recent years in the United States, where child poverty has been progressively reduced since the 1980s even though tax cuts have almost certainly widened income differentials.<sup>12</sup>

2.12 The acceptance of poverty as a relative concept means that poverty and inequality are related. One study notes that:

Relative poverty can exist only where there is inequality, but this does not mean that poverty and inequality are the same. Not all forms of inequality will imply relative poverty, only those in which some individuals or groups fall well below the average. The eradication of relative poverty will require some reduction in inequality, but how much and at what cost will depend upon the nature and severity of the poverty problem.<sup>13</sup>

2.13 Many approaches to poverty are based on drawing a 'poverty line' which makes a distinction between the poor and the non-poor. Other researchers however tend to focus on questions of inequality rather than poverty *per se*, giving emphasis to the continuum of low incomes rather than to a single poverty line cut-off point and focus on the consequences of low incomes for standards of material well-being and social participation. Inequality of income, alone, then assumes relatively less importance as a precondition for poverty, being combined with other dimensions of inequality, including inequality of access to stable employment, affordable housing, quality health care and government services more generally.<sup>14</sup>

2.14 Submissions to the inquiry noted that when discussing inequality it is important to consider all aspects influencing the various dimensions of inequality, including but not limited to income levels.<sup>15</sup> One submission noted that measures of inequality that focus on income can be misleading if they exclude other indicators such as access to education, health, government services and infrastructure.<sup>16</sup> Submissions also noted

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12 *Submission 45*, p.4 (Centre for Independent Studies).

13 Saunders P, 'Poverty and Deprivation in Australia', in *Year Book Australia, 1996*, p.2. See also *Submission 30*, pp.1-2 (Jesuit Social Services).

14 See Saunders P, *Welfare and Inequality: National and International Perspectives on the Australian Welfare State*, Cambridge University Press, 1994, p.222.

15 *Submission 30*, p.1 (Jesuit Social Services).

16 *Submission 32*, p.1 (Tasmanian Catholic Justice and Peace Commission).

that traditional forms of inequality such as income inequality have been expanded in recent years to include 'new' inequalities such as the 'digital divide'.<sup>17</sup>

2.15 Submissions also emphasised that poverty in many cases is a precursor to other forms of disadvantage. A study for Jesuit Social Services identified a concentration of disadvantage using a composite measure of social disadvantage, including income levels, educational levels, unemployment, low birth weight, child maltreatment, childhood injuries, psychiatric admissions, mortality, crime and emergency relief. The study found most of these indices of disadvantage to be cumulative and mutually reinforcing. The broad concentration of disadvantage has been confirmed by a range of other studies.<sup>18</sup>

### **Measuring poverty**

2.16 There are a number of ways in which poverty may be identified:

- The development of income-based poverty lines to measure income poverty.
- The development of budget standards – determining the income level necessary to afford a clearly defined 'basket of goods' which are required to maintain a minimum acceptable lifestyle.
- Consensual approach – determining what members of the community think is a minimum necessary income and to draw a poverty line at this point.
- Living standards studies – attempts to directly measure the living standards of low income people and compare them to those in the wider community.

Each of these approaches is discussed below.

2.17 As noted earlier, estimates of poverty are usually estimates of relative poverty. Relative poverty is generally measured by drawing a 'poverty line' at an income level considered necessary to maintain an 'acceptable' standard of living. Professor Saunders pointed out that any measure of poverty adopted must be independent of the government of the day. He added:

...independent of government in the sense that we do not want to prejudge what we get out of it at the end of the day. If we are going to develop a measure that is going to endure, it has to last under today's government, tomorrow's government and the government in 10 or 20 years time, and we need to recognise that.<sup>19</sup>

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17 *Submissions* 69, p.15 (Victorian Government), 172, pp.63-79 (The Smith Family).

18 See, for example, *Submission* 30, pp.6-7 (Jesuit Social Services).

19 *Committee Hansard* 27.5.03, p.440 (Professor Saunders).

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### *Income-based poverty lines*

2.18 Most Australian poverty research relies on income based poverty lines. These measures set a poverty line at some fraction of a statistically derived reference point derived from the overall distribution of income. They usually take the form of measures such as incomes below half the mean (average) income, or half the median income (that point where half earn more and half earn less than).

2.19 A common method of setting these poverty lines is to base the standard used on a measure of average community income. Generally some group in the population, such as a family comprising two adults and two children is chosen as the standard. For them, poverty is defined as having an income less than some fraction of the mean or median income. This is sometimes referred to as the 'headcount' index and can be used to measure the incidence of poverty among particular groups in the population, for example, the elderly, single adults, or couples with children. This approach was adopted by Professor Ronald Henderson when he developed his 'poverty line' which was originally set equal to the minimum wage plus child endowment in Melbourne in 1966.<sup>20</sup>

2.20 The advantage of income benchmarks are that they can be defined in terms of well-known statistical indicators and the poverty line which results is simple to update and understand. It also places the concept of poverty in the context of the distribution of income or resources within the community. But the choice of a particular proportion of average incomes to represent a 'low' income is necessarily an arbitrary decision.<sup>21</sup>

2.21 A major limitation of this measure of poverty is that it is sensitive to the level at which the poverty line is set. As poverty lines are typically set in income ranges where large proportions of social security recipients are clustered, small movements in the poverty line can result in large apparent increases or decreases in poverty. Another disadvantage of the headcount index is that it takes no account of the severity of poverty, that is, how far below the poverty line the poor actually are. As a result, government policies that raise the income of the very poorest will have no discernible impact on the headcount poverty rate if they do not raise the incomes of the poor above the poverty line.<sup>22</sup>

2.22 There remains a continuing debate as to whether such an approach should be based on the mean or median income level. The most frequently used measures include:

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20 The poverty line developed by Professor Henderson is referred to as the 'Henderson poverty line'. Professor Henderson was Chairman of the Commission of Inquiry into Poverty that was established in 1972 and is discussed in more detail in chapter 3.

21 See *Submission 95*, p.12 (Professor Saunders).

22 Harding & Szukalska, p.29; Saunders, *Welfare and Inequality*, pp.258-59.

- 50 per cent of median income – this is the most frequently used in international studies, such as those undertaken by the OECD;
- 60 per cent of median income – this benchmark has been used by Eurostat, the European statistical agency, as its main indicator, and has been adopted by the Social Protection Committee of the EU as the first of its primary indicators of social exclusion; or
- 50 per cent of mean income – this is mainly used in the United Kingdom where there has been a long tradition of publishing data on households with below half mean income. This was also the main indicator used in the recent Smith Family reports into financial disadvantage in Australia.

2.23 As noted above, many studies of relative poverty base their poverty line on some proportion of the median income of the population. This is calculated by ranking all income in descending order, establishing the income of the person in the middle of the income distribution ranking, and then defining the poverty line as some proportion of the income that they receive. As noted above, the proportion of median income chosen varies between studies.<sup>23</sup>

2.24 The main argument in favour of the median is that it is less sensitive to extreme (very low or very high) incomes. Against this, while mean income is more sensitive to extreme incomes it is dependent on the level of all incomes. A rise in the incomes of all those in the upper half of the income distribution would, for example, cause mean income but not median income to rise. If the poverty line were tied to median income, such a change would thus have no impact on the poverty line and hence on poverty, even though the relative position of those on low incomes would clearly have worsened.<sup>24</sup>

2.25 Some studies calculate poverty lines based on mean or average incomes. As many people receive fairly modest incomes but only a relatively few earn very high incomes, the mean income in the population is usually higher than the median. Basing the measurement of poverty on some proportion of the mean income will therefore usually produce a higher, more generous poverty line.

2.26 Defining poverty as some proportion of mean income is as arbitrary as using a median-based measure. Because the mean is sensitive to extreme values at either end of the income distribution, it follows that if a small number of people at the top of the distribution significantly increase their incomes this will inflate the mean and will therefore increase any poverty line based on it. This will in turn increase the number

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23 Saunders P & Tsumori K, *Poverty in Australia: Beyond the Rhetoric*, CIS Policy Monograph 57, 2002, p.12.

24 Saunders, *Welfare and Inequality*, p.228. See also *Submission 165*, p.71 (FaCS).

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of people found to be 'in poverty', even though most people's living standards will not have changed.<sup>25</sup>

### *Poverty gap*

2.27 In an attempt to overcome the disadvantages of the headcount approach an alternative poverty indicator – the poverty gap – is sometimes used. The poverty gap takes account of both the numbers below the poverty line and the depth of poverty. The poverty gap estimates the total gap between actual incomes and the poverty line for those who are in poverty. The poverty gap gives more weight to those whose financial situation is worst relative to their poverty line. The aggregate money value of the poverty gap indicates the minimum financial cost of raising all poor families to the poverty line.

2.28 As a measure, the poverty gap overcomes some of the shortcomings of the headcount ratio. It changes not only when people are moved from one side of the poverty line to the other, but also as a result of any change that increases the income of any poor family, where this is not offset by equal income reductions for other poor families.

2.29 The poverty gap is useful when analysing the impact of changes to income support payments on income poverty. The use of poverty gaps also makes poverty estimates less sensitive to small changes in the incomes of those close to the poverty line. This is because the poverty gap gives less weight to those closest to the poverty line and is thus less sensitive to changes in their income relative to the poverty line. A difficulty that the poverty gap does not overcome is that it is unaffected by redistributions of income among the poor.<sup>26</sup>

### ***Budget standards***

2.30 A second research method is the budget standards approach. This approach to defining poverty attempts to calculate 'objectively' what level of income people need to buy the goods and services they require to maintain an 'adequate' standard of living and construct a poverty line around this measure. The approach uses a combination of expert judgements and surveys of actual expenditures of people on low incomes to develop detailed 'minimum' household budgets. This approach prescribes a basket of goods and services that fulfils the 'necessities' of a standard family and then determines the average or minimum price of the basket. The basket of goods is usually defined in terms of food, clothing, shelter and other items needed for basic survival.

2.31 A number of studies have argued that this minimum income approach appears to provide a commonsense, simple and objective approach to poverty. One study notes that it 'appears to be divorced from personal values of either harshness or compassion.'

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25 Saunders & Tsumori, pp.12-13.

26 Saunders, *Welfare and Inequality*, pp.259-60.

It seeks to describe poverty objectively as lack of the income needed to acquire the minimum necessities of life. Those who lack the necessities to sustain life are by definition poor'.<sup>27</sup>

2.32 Professor Saunders argued that the principal strength of this approach is its explicit attempt to derive the cost of meeting needs at a given standard of living across all areas of consumption. In addition, the fact that every item that enters the budget is identified precisely, as are the assumptions used for costing, means that the approach can be used to check what differences it makes if particular items are changed or omitted altogether. The approach also utilises prevailing social norms and standards to develop the budgets, thus building on existing knowledge about minimum standards where they exist. Finally, the budgets can be disaggregated to examine how much is needed to meet the standards in a limited range of areas, or to explore differences in the consumption levels of individuals within the family.<sup>28</sup>

2.33 An example of this approach is the project completed in 1998 by the Social Policy Research Centre (SPRC), funded by the former Department of Social Security, which produced a low cost 'indicative budget standard' for Australia. The work was based on focus groups of low income people and by examination of the actual expenditures of low and middle income households from ABS surveys.<sup>29</sup> The standard was derived by compiling a comprehensive list of items which most people buy or are deemed to need. The standard was calculated by pricing each item and calculating the total income which households of varying compositions require to pay for these items. ACOSS commented on the usefulness of this approach and that the next step was going to be a major study of living standards 'to look directly at what essentials people miss out on'. This project, however, was not undertaken which ACOSS argued was regrettable as 'it leaves us to rely too heavily on income based poverty lines'.<sup>30</sup>

2.34 Several problems have been identified with this approach. A major problem is disagreement amongst researchers over what constitutes a 'minimum' amount of goods and services that would provide an acceptable standard of living. Specifically, it has been rarely possible for experts to specify minimum standards for necessities other than food. Allowances for other items are usually based on observation of the spending pattern of low income households – a procedure that is inconsistent and unsatisfactory. One study notes that 'the claim that the subsistence approach is scientific and pays minimum attention to value judgments is denied by the arbitrary judgments which have to be made in applying it'.<sup>31</sup> Professor Saunders also argued

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27 See Saunders, *Welfare and Inequality*, p.223.

28 *Submission 95*, pp.11-12 (Professor Saunders).

29 *Submission 163*, p.55 (ACOSS).

30 *Committee Hansard 20.6.03*, p.676 (ACOSS).

31 Social Welfare Policy Secretariat (SWPS), *Report on Poverty Measurement*, AGPS, 1981, p.28.



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that this approach is very complex to operationalise and requires a large number of assumptions and judgements before the budgets can be specified and priced.<sup>32</sup>

2.35 Moreover, a subsistence standard has seldom been maintained over time – poverty lines based on this approach have generally become more generous in their poverty definitions in the light of changing circumstances. It is also argued that this approach has little relevance in a society as diverse as Australia where living standards are generally far above the minimum required for merely physical survival.<sup>33</sup>

2.36 One study notes that a further problem with this approach is that there may be an 'upward bias' in the minimum income estimate because it does not allow sufficiently for the choices that are made between items that meet similar needs. The study suggests that the SPRC's calculation of a minimum low cost budget may be much higher than what is actually required to maintain a reasonable standard of living.<sup>34</sup>

### ***Consensual approach***

2.37 Another approach to measuring poverty is to base it on the opinion of the general population. Under this approach, sometimes referred to as the 'consensual approach', surveys are conducted where people are asked what they consider to be the minimum amount of income they need to 'make ends meet', and a poverty line is estimated around the point where the answers converge.

2.38 A number of studies have argued that these survey-based approaches to defining poverty lines appear logical given that the concept of relative poverty is defined with reference to prevailing social norms. If poverty is a standard of living below a socially accepted norm, it would appear to make sense to ask members of the public to define what that level should be.<sup>35</sup>

2.39 However, it has also been argued that these approaches have major difficulties. The answers to the questions asked have been found to be very sensitive to the wording used in the surveys. The studies also generally find that there is little consensus over what a minimum income might be – partly because people tend to be over-generous when defining minimum incomes for others which they will not have to pay for themselves, and partly because people's perceptions of what is 'necessary' for others tends to reflect the standard of living to which they themselves are accustomed. 'Poverty lines' based on this method tend as a result to be set at relatively 'generous'

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32 *Submission 95*, p.11 (Professor Saunders). See also *Submission 165*, p.70 (FaCS).

33 See SWPS, pp.36-39.

34 Saunders & Tsumori, p.11.

35 For a discussion, see Saunders & Tsumori, pp.8-9.

levels.<sup>36</sup> Given the diversity of opinion elicited in surveys the formulation of a 'consensual' poverty line is difficult to identify. Consequently, few studies have produced results using such poverty lines.<sup>37</sup>

### ***Living standards studies***

2.40 The weaknesses of income-based and budget standards methods have led many researchers to advocate direct measurement of poverty through surveys of people's access to various necessities of life.

2.41 While no Australian study has systematically attempted to measure deprivation (as distinct from living standards generally) across the community as a whole, many research studies commissioned by community agencies and Governments have examined aspects of deprivation within particular groups and communities. Some have used survey questionnaires, while many are anecdotal in nature. In Australia, a number of national studies relating to living standards in general (as distinct from deprivation) have been conducted since Professor Henderson's Melbourne survey.

#### *The Australian Standards of Living Study (ASLS)*

2.42 This study was conducted in the late 1980s by Richardson and Travers. It used a set of indicators to evaluate the living standards of a representative sample of all Australian households. The indicators ranged across economic resources, housing, employment, education, family and social relations, and recreation. The indicators were clustered into groups of common themes (e.g. social participation) and the population was grouped according to households' scores in regard to each cluster. The scores were then compared across a number of clusters to establish whether some people were consistently better or worse off.

2.43 The main advantages of this study were the breadth of indicators used, the ability to check whether the different dimensions of deprivation were related in a consistent way, and to compare them with the resources available to people in terms of income, assets, and family support.

2.44 However, the study had a number of drawbacks. The first is common to most general studies of living standards. Although many questions were asked to gauge people's general standard of living, few were developed specifically to measure deprivation. The second drawback was the essentially arbitrary nature of the choice of indicators of living standards, and the development of indices of deprivation from the data. A third problem was that people were not asked whether they lacked an item through choice or lack of resources, a critical question for deprivation studies.

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36 Saunders & Tsumori, pp.8-9; SWPS, p.5; *Submission 95*, p.12 (Professor Saunders).

37 Greenwell, Lloyd & Harding, p.19.

2.45 The study found that there were consistent relationships between deprivation in different dimensions of life, such as lacking material goods, poor health, and social participation. The study also found that there was a consistent relationship between income and disadvantage especially at the lowest income levels.<sup>38</sup>

*The Australian Living Standards Study (ALSS)*

2.46 This study was conducted by the Australian Institute of Family Studies in the early 1990s. It was also a comprehensive study of general living standards – using similar 'dimensions' of well-being to those adopted by Richardson and Travers.

2.47 One of the strengths of this study was the emphasis placed on how the respondents perceived the importance of each item, which somewhat reduced the reliance on the judgements of the researchers themselves. The researchers also asked people whether they lacked items through choice or a lack of resources.

2.48 The ALSS study shared a major drawback of the ASLS discussed above. It is a general living standards study with few indicators that go directly to deprivation. Moreover, it was also narrower in scope in that it covered only households with children in certain outer urban areas of Australia.

2.49 The ALSS study also found a consistent set of relationships between different dimensions of deprivation, and a clear relationship between deprivation and low income. The bottom 20 percent of households ranked by equivalent disposable income were found to consistently lack 'basic' resources and experience financial stress to a much greater extent than the top 80 per cent. This included such items as lacking money for school excursions, getting behind with bill payments and living in overcrowded housing.<sup>39</sup>

*The ABS financial stress study*

2.50 In the mid 1990s, the former Department of Social Security and the ABS collaborated to develop an official Australia-wide living standards survey, although public funding was not secured to complete this project. However, on the basis of the developmental work already under way, the ABS developed a module of 16 indicators of financial stress, which it added to its regular Household Expenditure Survey. The questions asked in the financial stress module included possession of certain household 'essentials', participation in social activities, the capacity to pay bills, raise money for an emergency, save, and action taken by people when they lacked resources to meet their needs (for example, pawning goods).

2.51 The main advantage of this survey is that it was incorporated into the ABS collection of major surveys of income and expenditure, providing a rich data source

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38 *Submission 163*, pp.56-58 (ACOSS).

39 *Submission 163*, p.58 (ACOSS).

for comparing financial stress with the income and expenditure of different groups. The same survey (the HES) is often used by researchers to estimate the number of people with household incomes below income-based poverty lines. The ABS found that people's level of financial stress was inversely related to income, with much higher levels of stress being experienced among the bottom 20 per cent of households, although only a minority of them suffered moderate or higher stress.

2.52 ACOSS argued that the main weakness of the survey from the standpoint of poverty research is its small number of questions and narrow scope. Financial stress is only one indicator of deprivation, and it may mislead if used on its own. The survey did include indicators of a lack of basic household goods and restrictions on social life. However, these were so few in number as to heighten the general concern about the arbitrariness of the indicators used in deprivation studies. In such a small survey, the choice of indicators, and the way in which indices of deprivation are derived from them, is even more critical than in the larger living standards studies discussed above.<sup>40</sup>

2.53 A study by Bray used the financial stress study to measure the extent of deprivation across the community.<sup>41</sup> This study found consistent relationships between people's responses to certain clusters among the 16 indicators of financial stress. One cluster including items such as 'going without a meal' suggested a more severe form of deprivation, while another including such items as 'not having family and friends over once a month for a meal' suggested a less severe form of deprivation. On this basis, Bray developed two separate sets of indices of 'hardship' and 'missing out'. ACOSS argued that while these methodological judgements made sense conceptually, they were judgements based on limited data. The 'hardship' index relied on just four indicators, the lack of one of which constituted 'some hardship' while the lack of two or more constituted 'multiple hardship'. The results would be highly sensitive to the choice of indicators and the method used to develop the indices.<sup>42</sup>

### **Problems in measuring poverty**

2.54 There are a number of difficulties in measuring poverty. These relate to the data sources used, questions related to the appropriate measure of income and other resources, the use of expenditure data, the income unit and time period used and the choice of equivalence scales. These issues are discussed below.

#### ***Data sources***

2.55 Most poverty analysis in Australia is based on surveys of household income conducted by the Australian Bureau of Statistics (ABS). The ABS has conducted

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40 *Submission 163*, p.59 (ACOSS).

41 Bray J, 'Hardship in Australia', FaCS Occasional Paper No.4, 2001.

42 *Submission 163*, p.60 (ACOSS).

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periodic income surveys since 1969. Detailed information relating to income from these surveys was first released for the 1982 Income and Housing Survey, allowing organisations to conduct analyses of income distribution and poverty. Since then, information has been released for the 1986 Income Distribution Survey, the 1990 Survey of Income and Housing Costs and Amenities and the Surveys of Income and Housing Costs conducted from 1994-95 to 2000-01, except for 1998-99.

2.56 Limitations in the scope and methodology of the income surveys affect the accuracy of poverty measurement. Although the methodology used for each survey has remained substantially the same over the years, the surveys have varied not only in frequency but also in scope, sample size and definitions used. In particular, there was a significant change in approach after 1990. The frequency of surveys was increased – they were conducted annually for four years and are currently conducted bi-annually – and the sample size has been halved. The definition of 'dependent children' has also changed over time.<sup>43</sup> Reporting on the 2000-01 income survey, the ABS stated that it had incorporated a range of methodological improvements in household income distribution and measurement designed to bring the data into line with international best research practice.<sup>44</sup>

### ***Definition of income***

2.57 The ABS income surveys measure gross cash income, which includes income from wages and salaries, self employment, government cash benefits, investments and other categories such as workers compensation, superannuation and royalties.

2.58 Some limitations of the ABS definition of income have been noted in several studies:

- The ABS collects data on only cash receipts, whereas household income can include both cash and in-kind receipts from government (such as fringe benefits and pensioner concessions), private businesses and other households.
- The ABS excludes most one-off payments, for example, loans, legacies and capital gains and losses, but it includes regular annuities, private pensions and superannuation.
- ABS income surveys do not provide data for how incomes have changed for the same sample of people. Successive income surveys comprise a series of cross-sectional surveys rather than a longitudinal survey, which would ask the same people questions in relation to their incomes at regular intervals. As a consequence, it is not possible to determine whether a large

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43 Greenwell, Lloyd & Harding, p.2.

44 ABS, *Household Income and Income Distribution*, Cat. No. 6523.0, July 2003, p.2.

number of people are moving into and out of poverty or whether most of the poor remain in poverty for extended periods.

- Intra-household transfers of income are excluded.<sup>45</sup>

### ***The measure of resources***

2.59 A person's standard of living depends on a number of factors both tangible – such as access to income and/or wealth – and intangible such as the degree of satisfaction derived from work and other activities, or the extent of interaction with friends and/or the wider community. Such factors are difficult to measure directly so poverty measurement relies on some proxy or 'indicator of resources' that can provide a reasonable approximation of each person's standard of living.

2.60 Most poverty research examines the cash income received by families on the assumption that income provides a good guide to living standards. One study notes, however, that income is an indirect measure of poverty because it examines the resources on which living standards depend but does not directly measure the living standards actually experienced by families.<sup>46</sup>

2.61 Other studies have, however, emphasised the importance of income. The Henderson poverty inquiry emphasised the point that an adequate income is fundamental to a person's security, well-being and independence. It enables a person to provide for the basic essentials of life, permits freedom of choice and freedom to participate in activities of choice. It also contributes greatly to personal freedom and the extent of opportunities available.<sup>47</sup>

2.62 There are several measures of income that can be used to indicate a person's standard of living, including private income (such as wages and salaries, self-employment, interest, rent and dividends); gross income (private income plus government cash benefits); disposable income (gross income minus income tax); and final or social income (disposable income plus government non-cash benefits such as health or education services). Final income ought to provide the most comprehensive indication of a person's well-being but it is difficult to define and measure. Disposable income is easier to measure and like social income, reflects income after government interventions, thus giving a better indication of the income people have available to spend. Consequently, disposable income is the predominant indicator of resources used in poverty studies.

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45 *Submission 165*, p.78 (FaCS); Greenwell, Lloyd & Harding, pp. 6-8; Saunders & Tsumori, pp.24-36.

46 Harding & Szukalska, p.26.

47 Commission of Inquiry into Poverty, *Poverty in Australia: First Main Report*, April 1975, p.2.

2.63 As noted above, the living standards of individuals and families are affected by a range of other factors in addition to their cash income, including the receipt of in-kind income such as fringe benefits and pensioner concessions and the provision of partially or fully subsidised government services such as Medicare. A recent study by the Smith Family, discussed further in chapter 3, analyses the impact of not only cash incomes and government transfer (social security) payments but also indirect taxes and indirect benefits, such as health, education, housing and welfare.<sup>48</sup> The ownership of assets may also be important. The economic wellbeing of two individuals on a similarly low income may be very different if one owns their home while the other is renting. This is an important issue when looking at poverty amongst the aged.

#### *Discretionary income*

2.64 Some commentators have argued that expenditure on items that are essential to living costs, such as costs related to housing, health, childcare, work-related costs and child support payments, should be subtracted from income to give a better indication of 'discretionary income'. Australian studies that have attempted to measure discretionary income have generally adjusted income for only housing costs. This is primarily because the income surveys only include housing costs and because the Henderson poverty inquiry set an important precedent by calculating poverty both before and after housing costs had been taken into account.

2.65 The case for using after-housing income relies on the fact that housing is such a large and essential expenditure for most families.<sup>49</sup> Families who are purchasing their home or renting privately will have much of their income 'locked up' in housing costs, reducing their other general consumption and associated standard of living. Their 'after-housing income' is significantly lower than their disposable income and so they are more likely to be in 'after-housing poverty'. By contrast, those families who own their own home or are in government housing typically have much lower housing costs. More of their income is available for general consumption than would otherwise be the case and so they are less likely to be in after-housing poverty. Another advantage of using the after-housing income approach is that it will vary with the different costs of housing in different regions, thereby reflecting one of the sources of regional variations in the cost of living.

2.66 An argument against the after-housing income approach is that, although having some form of housing is essential and not discretionary, there remains discretion in the quality of housing and the corresponding housing costs. A family that places a high priority on housing relative to other goods and services will spend more on housing and thus will have lower after-housing income. In effect, the after-housing measure

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48 *Submission 172*, pp.34-36 (The Smith Family).

49 The income that remains after all housing costs have been met is referred to as 'after-housing income'. Disposable income is sometimes referred to as 'before-housing income' to indicate that housing costs have not been deducted.

distorts poverty measurement so that the families that place a high value on the quality of housing are more likely to be in poverty.<sup>50</sup>

### **Alternative measures of poverty**

2.67 Given the difficulties involved in devising a comprehensive measure of a person's standard of living, several researchers have suggested that studies of poverty and deprivation should attempt to examine poverty using several indicators, try to incorporate qualitative studies of the non-monetary factors that affect poverty and incorporate life cycle and wealth studies that estimate the well-being of people over the course of their lifetime. In practice, such comprehensive studies are rarely conducted and poverty researchers generally content themselves with reporting on one facet of the complex mix of elements that influence the standard of living of members of society.<sup>51</sup> One study notes that a full understanding of poverty can come only from taking account of these varying approaches and attempting to blend them to give an overall picture of deprivation in society.<sup>52</sup>

2.68 Two main alternative approaches to income poverty measures have been suggested – these are the development of deprivation indicators and the use of expenditure data.

#### ***Deprivation indicators***

2.69 A number of submissions argued that deprivation indicators need to be developed as alternatives to, or complementary measures to, income poverty statistics. Observing the level of deprivation experienced by those on low incomes is a way of identifying the income level that corresponds to poverty.<sup>53</sup>

2.70 Professor Saunders stated that deprivation measures provide a direct indicator of poverty status because they reveal that basic needs are not being met. This is in contrast with resource-based poverty indicators such as income, which are indirect in the sense that they imply that poverty is present, but do not actually confirm this through direct observation. Because deprivation reflects a situation of unmet need that is actually observed and thus experienced, it provides strong support for the claim that poverty exists. At the same time, it is possible to identify which forms of deprivation are regarded as unacceptable in the community by surveying public opinion, thus giving increased credibility to the measure.<sup>54</sup>

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50 *Submission* 165, p.78 (FaCS); Greenwell, Lloyd & Harding, pp.13-14.

51 See, for example, Greenwell, Lloyd & Harding, p.15.

52 Greenwell, Lloyd & Harding, p.15.

53 *Submissions* 163, pp.62-63 (ACOSS); 95, pp.17-19 (Professor Saunders).

54 *Submission* 95, pp.17-18 (Professor Saunders).



2.71 Deprivation indicators need to be broadly defined to include not only the material goods needed to meet minimum consumption standards, but also those activities that are broadly regarded as necessary to support participation in society. The list thus needs to include such items as being able to send a child on school excursions; having enough to afford to buy presents for family members on important occasions; having enough to pay household bills on time; and not having to rely on welfare agencies, or food or clothing banks to get by.

2.72 The deprivation approach has been employed in a number of recent European poverty studies, particularly in the United Kingdom. The UK Poverty and Social Exclusion Survey (PSE) provides a framework for defining poverty in terms of deprivation and exclusion indicators. The survey conducted in 1999 measured different dimensions of poverty and social exclusion in the lives of adults and children. The PSE poverty measure was developed in two stages. In a first survey, adults were asked which of a list of items and activities for children, and a second list for adults, they considered everyone should be able to afford in Britain today and which they should not have to go without. The list included food and clothing items; items and activities to allow children and adults to participate in society; and for children, items to assist educational development. In the second survey a different group of respondents were asked to identify items and activities that children and adults did not have because they could not be afforded. Results from both surveys were used to construct a poverty measure based on items or activities that children and adults had to go without to be defined as poor. For children and adults, a threshold of lacking two or more items or activities was established for this poverty measure.<sup>55</sup> Several submissions commented that the PSE was a good example of a recent survey along these lines.<sup>56</sup>

2.73 A variation on this approach is the Irish 'consistent poverty' approach, which combines an income-based approach and a deprivation approach. The concept of consistent poverty forms the basis of the Irish Government's National Anti-Poverty Strategy and defines a household as being in poverty if they have both low incomes and have a score of 1 or more on the deprivation scale. The Irish scheme is discussed further in chapter 18.

2.74 In Australia, the 1998-99 HES undertaken by the ABS collected data on a number of indicators of financial stress. These items may be considered a form of 'deprivation' measure in that they largely focus on items which a household may have gone without due to financial constraints. In the HES, information was collected on a number of items such as how households compared their standard of living with that of two years ago; if households are usually able to afford such things as a week's holiday away from home; have a night out once a fortnight or have friends over for a meal; and whether in the previous year, because of shortage of money, a household

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55 *Submission 95*, pp.52-53, Appendix A (Professor Saunders).

56 *Submission 163*, p.62 (ACOSS); 95, p.19 (Professor Saunders).

was unable to pay utility or insurance bills; sought financial help from family or friends or a community organisation; or went without a meal or heating.

2.75 Detailed analysis of the HES survey was reported in the study by Bray referred to earlier. This analysis identified that the set of financial stress questions used by the ABS fell into three discrete components. These are:

- missing out on 'accepted' social, cultural and recreational activities – reported by 38.3 per cent of households;
- experiencing cash flow problems – reported by 22.1 per cent of households; and
- hardship – where households have missed out on a meal, heating, have had to pawn or sell items or obtain assistance from welfare agencies – reported by 8.2 per cent.<sup>57</sup>

2.76 Submissions argued that a comprehensive set of deprivation indicators should be developed in Australia. ACOSS noted that they should be designed to measure the lack of key necessities required for subsistence as well as social and economic participation. Ideally, these should be clustered into a number of dimensions of living standards, or capacities to meet basic physical and social needs, for example, access to education and shelter. ACOSS argued that the appropriateness of these indicators in Australia should be tested by surveying the public as to whether they represent community opinion as to what constitutes a lack of necessities according to the definition of poverty used.<sup>58</sup>

2.77 Professor Saunders suggested that a step in this direction has already been taken by the ABS through the inclusion of a series of questions on financial stress and hardship in the latest 1998-99 HES (referred to above). He suggested that the ABS should expand its coverage in future HES and other household surveys or that a special social survey focusing on deprivation and its relationship to other indicators of living standards similar to the UK Poverty and Social Exclusion survey could be undertaken.<sup>59</sup>

2.78 FaCS suggested that deprivation approaches – although current data are relatively limited – as well as longitudinal analysis of household incomes, offer greater potential for policy and program development than income poverty measures.<sup>60</sup>

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57 Bray, p.ix.

58 *Submission* 163, p.62 (ACOSS).

59 *Submission* 95, p.19 (Professor Saunders).

60 *Submission* 165, pp.96-77 (FaCS).

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### *Use of expenditure data*

2.79 Some submissions argued that expenditure data could also be used to supplement income data to measure living standards, given that reported incomes may be an unreliable indicator of a person's actual standard of living.

2.80 An expenditure poverty measure would rank people according to their expenditure, such that people with particularly low spending would fall into the category of 'expenditure poverty'. Evidence from ABS household expenditure surveys indicates that expenditure is consistently more unevenly distributed than income. This appears to be the case because people on high incomes devote some of their incomes to savings while people on low incomes, especially those temporarily on low incomes, may borrow to maintain their standard of living.<sup>61</sup>

2.81 A recent study for the Smith Family focused on the spending patterns of low income households, based on the 1998-99 HES. The study found that:

- Low-income households devoted proportionately more of their total budget to the necessities of life than high-income households. More than half of the weekly budget of low-income households is devoted to three spending categories – food, housing and transport.
- Low-income sole parent households devoted almost half of their weekly spending to just two of the necessities of life – housing and food. Almost half of them were in housing stress (paying more than 30 per cent of their income on housing).
- Low-income single persons living by themselves aged less than 30 years were in severe financial disadvantage, with almost half of their weekly budget devoted to two items – food and housing.<sup>62</sup>

2.82 The use of expenditure data, however, has a number of problems. The most notable is that generally expenditure on consumption rather than consumption itself is being measured. Furthermore, it may be possible to sustain a standard of living during periods of low income by running down past savings or incurring debts, but this situation will not be sustainable. Low consumption may thus conceal rather than reveal the existence of poverty.<sup>63</sup> Professor Saunders suggested that it may be fruitful to consider income and expenditure not as alternative indicators of poverty, but rather as complementary.<sup>64</sup>

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61 Greenwell, Lloyd & Harding, p.14.

62 *Submission 172*, pp.10-11, 17-38 (The Smith Family).

63 See *Submission 165*, pp.83-84 (FaCS).

64 *Submission 95*, p.21 (Professor Saunders).

### ***The income unit***

2.83 While poverty calculations rank people according to income and then identify those who fall below a predetermined poverty line it is also important to establish whose income they should be ranked by. The income unit refers to the group within which income is assumed to be shared. The assumption widely accepted in academic research is that in most families the income earned by each member of the family is shared.

2.84 Possible income units include the individual, the nuclear family, the extended family or the household. The income unit used in poverty studies can make a major difference to poverty estimates. Generally, the broader the definition of the income unit, the lower the level of poverty is likely to be. The most common income unit in Australian poverty research is the 'ABS income unit' The ABS defines an 'income unit' as a couple (married or de facto) with dependent children; a couple without dependent children; a sole parent; or a single person. Income is assumed to be shared by one person or a group of related persons within a household. Income sharing is assumed to take place within married or de facto couples, and between parents and dependent children.

2.85 No income unit can capture the 'income-sharing group' precisely. One problem common to the ABS income unit, the extended family and the household is the appropriate treatment of dependent children. As they get older, children gradually gain greater financial independence but the exact point at which they are predominantly self-sufficient will vary greatly between families. This suggests that each of the potential income units may be too broad because they include people where little income sharing remains.

2.86 Some commentators have argued that common definitions of the income unit are too narrow. For example, young people living away from home, and therefore treated as separate income units, may well receive substantial financial support from their parents and thus not really be an independent unit. Similarly, it has been argued that different cultural attitudes towards income-sharing, particularly among Indigenous communities, often mean that income is shared much more widely amongst these communities than the ABS income unit or even the household.

2.87 FaCS indicated that with most income analysis it prefers the household as the basis of analysis. One reason for this is the structure of income support payments, for example living at home rates, which acknowledge the presence of others in the household. Further, even where income pooling might be partial, people living in the house generally gain some benefits from the expenditure and assets of others, ranging from the use of household appliances to sharing transport.<sup>65</sup>

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65 *Submission 165*, p.81 (FaCS).

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2.88 There has been little research undertaken in Australia that examines the most appropriate definition of the income unit for poverty analysis as such a study requires information on the intra-household allocation of resources – for which there is little data.<sup>66</sup>

### *Time period*

2.89 As household incomes fluctuate over time, the period over which the income is received can influence results. The time period used is frequently dictated by the available data. Time periods that are frequently used within sample surveys include the week, the month, and the year. Generally, longer time periods result in more equal income distributions. The ABS income surveys include both 'current weekly income' (that is, income in the week immediately preceding the relevant survey) and annual income from the previous financial year.<sup>67</sup>

2.90 FaCS noted that Australian income distribution analysis is unusual because of the general reliance placed on using current income rather than annual income. The main reason for this is the general view that current income is more accurately reported, especially in relation to income support payments. The consequence of this is that poverty estimates using current income may indicate greater income inequality whereas the use of annual income would smooth out fluctuations in household incomes.<sup>68</sup>

### *Equivalence scales*

2.91 Equivalence scales attempt to account for the differences in the size and composition of different income units – they show the amount of income required by families of different size and composition. Larger income units need a greater income than a small income unit to attain the same standard of living. The composition of income units also needs to be accounted for as some members of the income unit create greater 'costs' than others. For example, it is likely that an income unit needs a greater income to support older children than younger ones. Equivalence scales show how much more income a couple requires to reach the same standard of living as a single person. For instance, if an equivalence scale gives a single adult a value of 1 and a couple with no children a value of 1.7, then the assumption is that the couple requires 70 per cent more income than the single person to reach a comparable standard of living. The value is less than 2 because of assumed economies of scale, such as the sharing of housing costs. The equivalence scale used can have an important impact on the apparent degree of poverty and on the characteristics of those

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66 Harding & Szukalska, pp.28-29; Greenwell, Lloyd & Harding, pp.16-17.

67 Harding & Szukalska, pp.28-29; Greenwell, Lloyd & Harding, pp.6-7.

68 *Submission* 165, p.79 (FaCS).

deemed to be in poverty, thus an equivalence scale that ascribes high costs to children will tend to place more families with children in poverty.

2.92 There is no agreement in Australia about what is the most appropriate equivalence scale to use. The Henderson equivalence scale has been used in many poverty studies in Australia. The detailed Henderson scales take account of the needs of families that vary with the age, gender, labour force status and number of adults and children within a family.

2.93 The trend in international comparative studies has been towards simpler equivalence scales that only vary with the number of people – or sometimes the number of adults and children – within a family. The equivalence scale adopted by the EC Eurostat poverty studies allows the assumed needs of a family to vary in line with the number of adults and children – with the first adult being given a value of 1, second and subsequent adults a value of 0.5 and children a value of 0.3 each. One disadvantage of this equivalence scale is that it does not allow for economies of scale, so that, for example, four children cost four times as much as one child.<sup>69</sup>

### **Updating poverty lines**

2.94 Once a poverty line has been established it is important to determine how it should be updated over time, especially to determine trends in poverty over time and for assessing the adequacy of income support payments. Poverty lines can be updated according to movements in prices or movements in incomes. Updating by movements in prices adjusts the poverty line for changes in the cost of living whereas updating for movements in incomes adjusts for changes in the standard of living. The consumer price index (CPI) is typically used to update poverty lines in accordance with movements in prices.

2.95 There are several ways to update poverty lines in accordance with movements in incomes. Studies in Australia have variously used average weekly earnings, household disposable income per capita and movements in average or median equivalent disposable incomes. While there is debate about which of these methods is most appropriate, updating in accordance with movements in incomes has generally been preferred to movements in prices in Australia. This is related to the preference for relative poverty lines.<sup>70</sup>

2.96 The poverty line used by the Henderson poverty inquiry to estimate poverty in 1972-73 was set at 56.5 per cent of seasonally adjusted AWE in 1972-73. The Henderson poverty line was designed to be compared with after-tax or disposable income but the poverty line was updated (until the 1980s) according to movements in

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69 *Submission* 165, pp.81-82 (FaCS); Harding & Szukalska, pp.27-28; Greenwell, Lloyd & Harding, pp.17-18.

70 Greenwell, Lloyd & Harding, p.20.

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before-tax seasonally adjusted AWE. In response to criticisms of this method of updating the poverty line, since 1981 the Henderson poverty line has been updated by increases in seasonally adjusted household disposable income per capita. It had been argued that movements in disposable income per capita provides a better measure of changes in community living standards than movements in pre-tax average weekly earnings.<sup>71</sup>

2.97 This measure has in turn been criticised by some researchers because it has led to a substantial increase in the value of the poverty line, well in excess of increases in the CPI or AWE – 'this means that the Henderson poverty line has become less and less 'austere' as time has gone on, for it has been inflating at twice the rate of the CPI'.<sup>72</sup> Other commentators have suggested, however, that if it is accepted that poverty is relative, then it is logically appropriate that the poverty line should increase in real terms when real community incomes are growing and that seasonally adjusted household disposable income per capita or a similar index is the appropriate measure to use in these circumstances.<sup>73</sup>

## Conclusion

2.98 Poverty is difficult both to define and to measure. The varying concepts of 'poverty' employed, data limitations and different methodologies all impose limitations on the degree to which poverty can be quantified. Poverty relates to individual standards of living which are influenced by a range of tangible factors – such as access to income and other financial resources – and intangible factors, such as social and family ties, which are largely unquantifiable but which can influence a person's overall standard of living. Despite these limitations, research into poverty and the development of measures of poverty are important in establishing the nature and extent of poverty in the community and in the development of appropriate policy responses.

2.99 Further research in the area of poverty can only lead to a broader understanding of its causes and effects and lead to improved ways to address the problem. The St Vincent de Paul Society noted that 'regrettably, the polemical debate over poverty lines has distracted rational discussion on solutions to a known problem'.<sup>74</sup> The Committee concurs with this sentiment and firmly believes that protracted debate over various poverty measures or the suitability of different poverty lines should not overshadow a thorough and ongoing discussion of solutions to a very serious national problem.

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71 See Saunders, *Welfare and Inequality*, p.252.

72 Saunders & Tsumori, pp.9-10. See also *Submission* 165, pp.74-75 (FaCS).

73 Saunders, *Welfare and Inequality*, pp.253-55.

74 *Submission* 44, p.14 (SVDP National Council).





## CHAPTER 3

### POVERTY AND INEQUALITY IN AUSTRALIA

*The existing and growing gap between the rich and the poor in Australia is obvious to even the most ardent of sceptics.<sup>1</sup>*

3.1 This chapter provides an overview of the nature and extent of poverty in Australia. It provides a discussion of the origins of poverty research in Australia, especially the work of Professor Henderson beginning in the 1960s. The chapter then analyses recent statistics related to poverty and inequality in Australia, including an overview of the groups most at risk of being in poverty today and recent studies of income and wealth distribution.

#### **The origins of poverty research**

3.2 The first systematic attempt to estimate the extent of poverty in Australia was undertaken in the mid-1960s by researchers at the Melbourne University's Institute of Applied Economic and Social Research (IAESR). The research team, led by IAESR Director Professor Ronald Henderson, conducted a survey of living conditions in Melbourne and estimated the extent of poverty in Melbourne using a poverty line based on a two-adult, two-child family set at an income equal to the value of the basic wage plus child endowment payments. The study found that one in sixteen of Melbourne's population was living in poverty in 1966.

3.3 The poverty benchmark in this study was chosen because of its relevance to Australian concepts of the minimum income, and also because as a proportion of average earnings it was similar to poverty lines used in other countries. It was regarded by the research team as an austere measure, likely to produce lower-bound estimates of poverty. The equivalence scale used to derive poverty lines for other family types was, in the absence of any reliable Australian estimates of relative needs, derived from a survey of household budgets and costs undertaken in New York in the 1950s.

#### ***The Henderson Commission of Inquiry***

3.4 Community and political pressure following the release of the 1966 survey into poverty in Melbourne led to calls for a national inquiry to determine whether the problems highlighted in this study applied to the nation as a whole. A Commission of Inquiry into Poverty was established in August 1972 by the Prime Minister, Mr McMahon. Professor Henderson was appointed as Chairman of the inquiry (the inquiry was subsequently referred to as the Henderson Inquiry). After the 1972 election the new Prime Minister, Mr Whitlam, expanded the Commission's size and

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1 *Submission 44*, p.42 (SVDP National Council).

scope with specific responsibility to focus on the extent of poverty and the groups most at risk of experiencing poverty; the income needs of people in poverty; and issues related to housing and welfare services. These topics were addressed in the Commission's first main report, *Poverty in Australia*, released in August 1975.

3.5 The poverty line described above was subsequently used by the Henderson Inquiry to produce the first authoritative estimates of poverty in Australia. The information on poverty was based on data from an ABS income survey undertaken in August 1973. The report's main focus was on identifying the extent of poverty due to inadequate income, in the sense of being low income relative to need. The income unit chosen was a married (or defacto) couple or single person, with or without dependent children. A unique feature of the Henderson poverty line was that it allowed poverty to be estimated both before and after housing costs. After-housing costs were derived by deducting actual housing costs from income and comparing the remaining income with a poverty line that excluded the housing cost component.<sup>2</sup>

3.6 The Henderson Commission's main findings were as follows:

- Over 10 per cent of income units in 1972-73 were below the Commission's poverty line. A further 8 per cent were defined as 'rather poor', having an income of less than 20 per cent above that line.
- About 7 per cent of income units were below the poverty line after housing costs were taken into account. Those renting from private landlords were the poorest group.
- About three-quarters of those below the poverty line (before housing) were not in the workforce.
- Overall, female sole parent families comprised the largest proportion of very poor people.
- About one-third of the single aged were very poor before housing. However, less than 10 percent were very poor after housing, because a large number were home-owners.
- The group with the largest percentage gap between its income and the poverty line comprised large families on wages on or just above the minimum wage.
- There was significantly more poverty in rural areas on a before housing basis. After housing, however, the difference was not as significant.

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2 Fincher R & Nieuwenhuysen J, eds., *Australian Poverty: Then and Now*, Melbourne University Press, 1998, pp.52-60; Saunders P, 'Poverty and Deprivation in Australia', *Year Book Australia, 1996*, p.5.

- Very few young men were voluntarily unemployed and thus below the poverty line.<sup>3</sup>

### Extent of poverty in Australia

3.7 There have been a number of recent studies that have attempted to estimate the extent of poverty in Australia; however, these estimates vary widely. Submissions to the inquiry, often drawing on these studies, have also presented a range of estimates. A number of recent poverty estimates are presented in Table 3.1.

**Table 3.1: Poverty in Australia – Selected Estimates**

	Year	Numbers in poverty
Henderson poverty line <sup>1</sup>	1999	3.7 – 4.1 million (20.5 – 22.6% of population)
St Vincent de Paul Society <sup>2</sup>	-	3 million
Australian Council of Social Service <sup>3</sup>	2000	2.5 – 3.5 million (13.5 – 19% of population)
The Smith Family <sup>4</sup>	2000	2.4 million (13 % of population)
Brotherhood of St Laurence <sup>5</sup>	2000	1.5 million
The Australia Institute <sup>6</sup>	-	5 – 10% of population
Centre for Independent Studies <sup>7</sup>	-	5% of population in 'chronic poverty'

- Sources:*
- <sup>1</sup> Cited in Harding A & Szukalska A, *Financial Disadvantage in Australia – 1999*, The Smith Family, 2000, p.38.
  - <sup>2</sup> Submission 44, p.44 (SVDP National Council).
  - <sup>3</sup> Submission 163, p.9 (ACOSS).
  - <sup>4</sup> Harding A, Lloyd R & Greenwell H, *Financial Disadvantage in Australia – 1990 to 2000*, The Smith Family, 2001, pp.5, 22-23.
  - <sup>5</sup> Submission 98, p.3 (BSL).
  - <sup>6</sup> *Committee Hansard* 19.6.03, p.648 (The Australia Institute).
  - <sup>7</sup> Submission 45, p.10 (CIS).

3.8 The table shows that the Centre for Independent Studies (CIS) has estimated that 5 per cent of the population can be considered to be in 'chronic poverty'.<sup>4</sup> Other estimates are much higher. The Smith Family has estimated that 13 per cent of the population was in poverty in 2000 – this had increased from 11.3 per cent since 1990.<sup>5</sup>

3 Commission of Inquiry into Poverty, *Poverty in Australia: First Main Report*, April 1975, pp.27-28.

4 *Submission* 45, p.10 (CIS).

5 Harding A, Lloyd R & Greenwell H, *Financial Disadvantage in Australia - 1990 to 2000*, The Smith Family, 2001, pp.22-23.

Poverty rates based on the Henderson poverty line estimate that 20.5 per cent of the population was in poverty (after paying for housing costs) or 22.6 per cent in poverty (before housing costs) in 1999.<sup>6</sup> A study by King found that in 1996, 16.7 per cent of income units were below the poverty line and very poor, with a further 13.7 per cent classified as 'rather poor'.<sup>7</sup>

3.9 The CIS estimate of 5 per cent of the population in chronic, long term poverty is based on a number of assumptions. These assumptions include that half to two-thirds of those below the poverty line at any one time are transitional; perhaps half or more are under-reporting their true income; and including the value of government services would raise the final incomes of lower income groups by about 50 per cent. The CIS, however, provides little quantifiable data to support their claims and concede that their estimate of those in poverty is a 'guesstimate'.<sup>8</sup>

3.10 By contrast, as noted above, poverty rates based on the Henderson poverty line have reported much higher estimates of poverty – up to 23 per cent of the population. Serious concerns have been raised over how this poverty line has been updated over time to account for changes in community incomes. It has been argued by some researchers that updating this poverty line by increases in seasonally adjusted household disposable income per capita grossly inflates the poverty estimates. The Smith Family has argued that the Henderson poverty line produces a picture of an 'ever-rising tide' of poverty because it is set at an ever-increasing proportion of family income.<sup>9</sup>

3.11 ACOSS stated that depending on the poverty lines used and taking into account housing costs there are between 2.5 million (13.5 per cent) and 3.5 million people (19 per cent) living in poverty in 2000, with between 800 000 and 1.3 million children in poverty.<sup>10</sup> The Brotherhood of St Laurence (BSL) estimated that even by the most cautious estimate (using the half median income measure) more than 1.5 million people were living below the poverty line in 2000 – 'whichever way it is measured, this is simply too high for a wealthy country like Australia'.<sup>11</sup> The SVDP National Council stated that in Australia today approximately 3 million people are poor – and 'further to this, our nation is torn by inequality'.<sup>12</sup>

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6 Harding A & Szukalska A, *Financial Disadvantage in Australia - 1999*, The Smith Family, 2000, p.38.

7 King A, 'Income Poverty since the early 1970s', in Fincher & Nieuwenhuysen, p.78.

8 *Submission 45*, p.10 (CIS).

9 Harding & Szukalska, p.36.

10 *Submission 163*, p.9 (ACOSS).

11 *Submission 98*, pp.3-4 (BSL).

12 *Submission 44*, p.44 (SVDP National Council).

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3.12 Recent studies commissioned by the Smith Family on poverty in Australia have generally reported poverty estimates midway between the figures produced by the CIS and the Henderson poverty line. One report, *Financial Disadvantage in Australia – 1999*, found that in 1999:

- One in seven Australians or 2.4 million people lived in poverty, when the poverty line is set at half the average family income of all Australians.
- Income poverty had declined slightly since the 1980s – 13.3 per cent of Australians were in poverty in 1999, compared with 14.6 per cent in 1982.
- While there was a slight decline in poverty among adults during this period, the major factor underlying this fall was a 20 per cent fall in the poverty rate among dependent children.
- Aged persons – of all poor Australians, only nine per cent live in a family headed by a person aged 65 years or more. On an after-housing basis, only six per cent of all poor Australians live in households headed by an aged person.
- Poverty mainly affects those of working age – almost one-third of those in poverty live in families where the head is not in the labour force, while over one quarter are in families where the head is unemployed.
- While more than half of all Australians in poverty live in families with no adult earners, over 40 percent live in families where one or both adults in the family works. About one-fifth of all those in poverty live in families where both parents work.
- Just over one half of all of Australia's poor live in families whose main income source is government cash benefits.
- About half of all poor people in Australia live in families that contain children. Children living in sole parent and larger families continue to face high poverty risks.<sup>13</sup>

3.13 The report defined 'financial disadvantage' or 'poverty' in terms of a family whose income is less than half the average family income. The study justified its use of the 'half average income' poverty line arguing that it better captures relative deprivation in times of rising income inequality than using a figure based on median incomes. As the top income earners become better off, then the poor are relatively worse off. That is, they are poorer in relative terms. Using the 'half average income' poverty line denotes acceptance of the proposition that the living standards of the poor should be measured against the living standards of all the population, including the

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13 Harding & Szukalska, pp.8-9, 22-23.

very affluent.<sup>14</sup> The data source for the study was the 1997-98 ABS national income survey, updated to May 1999. Income in the study included wages and salaries, workers compensation and superannuation, dividends and rents, income from self-employment and child support payments.

3.14 Another study commissioned by the Smith Family, *Financial Disadvantage in Australia – 1990 to 2000*, examined trends in poverty in Australia during the 1990s. The data sources for this study were various ABS national income surveys conducted over the 1990s. Poverty estimates based on this study are summarised in Table 3.2. The study also contains a large collection of other data on poverty in Australia.

**Table 3.2: The Smith Family – Estimated Poverty Rates 1990-2000**

1990	1995	1996	1998	2000	
(percentage of population)					
11.3	11.7	12.0	12.6	13.0	(a)
8.2	8.2	8.6	8.4	8.7	(b)

(a) half average income poverty line

(b) half median income poverty line

*Source:* Harding A, Lloyd R & Greenwell H, *Financial Disadvantage in Australia 1990-2000*, The Smith Family, 2001, p.5.

3.15 The table shows that poverty increased from 11.3 per cent to 13 per cent of the population over the period from 1990 to 2000, when the poverty line is set at half the average family income of all Australians (the study's preferred measure). In 2000 almost one in eight Australians or 2.4 million people lived in poverty. The study pointed to the persistence of poverty despite a decade of economic growth. The report noted that 'strong economic growth over the past decade has not produced comparably strong social outcomes for many different groups within Australia'.<sup>15</sup>

3.16 The data shows that estimated poverty rates are sensitive to the poverty line used. As previously noted, the Smith Family studies justify their use of the 'half

14 Harding, Lloyd & Greenwell, p.2.

15 Harding, Lloyd & Greenwell, p.v.

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average income' poverty line on the grounds that it better captures relative deprivation in times of increasing income inequality.<sup>16</sup>

3.17 The other main findings of the study are detailed below.

- Poverty among adults increased steadily during the decade.
- Child poverty fell during the first half of the 1990s but increased since that time.
- There was an increase in the poverty risk faced by families dependent on government cash benefits, which increased from 24 per cent in 1990 to 31 per cent in 2000. As a result of this shift, by 2000 government cash benefits were the main family income source for about 60 per cent of poor Australians – up from 46 per cent in 1990.
- Unemployment was a key generator of poverty – about half of all Australians aged 15 years and over who were unemployed lived in poverty. Poverty increased among the unemployed in the late 1990s.
- The proportion of poor families that had wages and salaries as their primary income source remained unchanged over the 1990s. Having a job appeared less of a protection against poverty than in the past, with the risk of being in poverty among all Australians aged 15 years and over and working part time rising from 10.7 per cent in 1990 to 11.7 per cent in 2000. Part-time work appeared to be associated with greater vulnerability to poverty than having full-time work. For the vast majority of wage and salary earner families, having a full time job was sufficient to ensure that the family was not in poverty.
- The poverty rate for men was slightly higher than the poverty rate for women, with the somewhat higher number of sole parents and older women in poverty being offset by the large number of single men and men aged between 15 and 64 years in poverty.
- Poverty rates generally decrease with age, although for a large part of the decade poverty among those in the 50 to 64 year age bracket was higher than for people aged 25 to 49 or over 65 years.
- A major change during the decade has been the steady increase in poverty rates among the aged. While the risk of being in poverty was previously much lower for the aged than for those of workforce age, now the risk is relatively similar. However, if poverty is assessed after housing costs have been met a different picture emerges. For the aged, due to their high home ownership rates, the risk of being in poverty did not change during the

1990s. Conversely, poverty among adults aged 25 to 44 years has become more serious, with almost one-fifth of adults aged 25 to 44 years in poverty on an after-housing basis.

- The results by State fluctuate, and it is not clear whether the year-to-year changes reflect real variation or sampling error for the smaller States. NSW had the highest poverty rate in 2000, with 13.9 per cent of its residents in poverty. Poverty also increased in the other States, with only Queensland and Tasmania remaining relatively unchanged.
- The depth of poverty did not change greatly during the 1990s, with the average gap between a poor family's income and the poverty line increasing from \$112 in 1990 to \$118 in 2000 (after accounting for the impact of inflation).<sup>17</sup>

3.18 The Centre for Independent Studies has criticised the above Smith Family study into poverty trends arguing that the extent and nature of poverty identified in the study has been exaggerated.

3.19 The CIS has three main criticisms of the study, namely:

- The study has confused poverty and inequality by adopting a relative view of poverty, whereas most people think of poverty in absolute terms.
- By adopting a poverty line based on mean (average) rather than median income the study has exaggerated the extent of poverty in Australia.
- The ABS data on which the study relies are not sufficiently reliable for conclusions to be drawn about the extent of poverty. The problems include under-reporting of incomes especially by welfare recipients and the self employed and the exclusion of certain sources of income, such as income in kind and government benefits provided below cost.<sup>18</sup>

3.20 These arguments have been disputed by Professor Peter Saunders of the Social Policy Research Centre. In relation to the first argument, he has argued that while most people think of poverty in subsistence terms, this is not the same as supporting an absolute definition of poverty. A subsistence notion of poverty emphasises that poverty is a situation where basic needs cannot be met, but this is consistent with the goods and services that are required to meet those needs being defined relatively – in the sense that they will depend on the general lifestyles, living standards and values of the community at a particular point in time.

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17 Harding, Lloyd & Greenwell, pp.23-24.

18 Tsumori K *et. al.*, 'Poor Arguments', *Issue Analysis*, No.21, January 2002; Saunders P, 'Poor Statistics', *Issue Analysis*, No.23, April 2002. See also *Submission 45*, pp.5-6 (CIS).



3.21 In regard to the second point, Professor Saunders argues that neither the mean nor median income alone provides information about how well needs are being met, although the mean is preferred by some researchers because it better captures relative deprivation in times of rising income inequality. He did concede, however, that most poverty researchers prefer to link poverty lines to median income rather than mean income. In relation to the third CIS argument, he argues that while the ABS data may be unreliable there is no reliable research to support that claim. He also argues that it is not clear what impact the inclusion of many subsidised services would have on the distribution of income.<sup>19</sup>

### ***Who is in poverty today?***

3.22 Evidence to the Committee and a range of studies into poverty and deprivation has shown that poverty is more likely to occur among particular groups in the population.<sup>20</sup> The major groups are identified in the table below and include Indigenous Australians, the unemployed and people dependent on social security benefits. This is not an exclusive list of those groups experiencing poverty, but serves to identify those most commonly referred to in studies into poverty and evidence received during the inquiry. Further discussion of poverty and disadvantage among these groups and others is contained in later chapters of the report.

#### **Groups at high risk of poverty**

- Indigenous Australians
- people who are unemployed
- people dependent on government cash benefits
- sole parent families and their children
- families that have three or more children
- people earning low wages
- people with disabilities or those experiencing a long term illness
- aged people, especially those renting privately
- young people, especially in low income households
- single people on low incomes
- people who are homeless
- migrants and refugees.

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19 Saunders P, 'Getting Poverty Back onto the Policy Agenda', Smith Family Research and Social Policy Briefing Paper, No.10, March 2002, pp.1-3.

20 See, for example, *Submissions* 1, pp.2-3 (Dr Mendes); 98, p.4 (BSL); 172, pp.37-38 (The Smith Family); 163, pp.11-12 (ACOSS); 118, p.7 (VCOSS).

3.23 A study by the Smith Family/NATSEM has illustrated the distribution of poverty as indicated in the table below.<sup>21</sup>

### **Who is poor in Australia?**

A Smith Family study estimated that of every 100 poor Australians:

- 24 live in working-poor (wage and salary) families;
- 23 live in families with an unemployed head;
- 15 live in other families dependent on social security;
- 14 live in sole parent families;
- 9 live in self-employed families;
- 6 live in families headed by an aged person;
- 5 live in some other type of family; and
- 4 live in families reliant on superannuation and investment income.

3.24 Indigenous Australians face a far greater risk of poverty than other Australians, and is indicated in high levels of joblessness, low levels of formal education, poor health, inadequate housing and the experience of dispossession and racism.<sup>22</sup> The nature and extent of poverty among Indigenous people is discussed in chapter 13.

3.25 In addition to the groups listed above, other smaller population groups are also vulnerable to poverty including people with drug and alcohol problems; domestic violence survivors; people living in caravan parks; people with caring responsibilities, including young carers; problem gamblers; recently released prisoners and some groups whose poverty remains undocumented in any substantial way (for example mentally ill people).<sup>23</sup> One submission noted that while vulnerability to poverty occurs amongst broad population groups it is likely that smaller population groups can experience high levels of economic hardship where low incomes are compounded by quite specific forms of disadvantage.<sup>24</sup>

3.26 Poverty is increasingly associated with low pay. The Australian Liquor, Hospitality and Miscellaneous Workers Union (LHMU) noted that the crisis of low pay contributes strongly to poverty as low paid workers are often also the 'jobless

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21 Harding & Szukalska, p.16. The data are based on after-housing poverty (that is, those in poverty after paying for housing costs).

22 *Submission 244*, pp.9-10 (ATSIAC). See also *Submissions 163*, p.11 (ACOSS); 98, p.4 (BSL).

23 *Submissions 163*, pp.73-88 (ACOSS); 121, pp.2-12 (Victorian Alcohol & Drug Association); 69, p.14 (Victorian Government).

24 *Submission 187*, p.22 (SA Government).

poor'. Low-paid workers tend to 'churn' through a series of low-paid jobs interspersed with periods of unemployment – as such the unemployed and the low paid are often the same people at different times. In addition, a large proportion of poor people live in households with a wage earner (the wages of the low paid thus support the poor); people who earn low pay are generally found in households which have a low income; and low paid workers become retirees – low wages project disadvantage into the future, because low paid workers cannot adequately save for their retirement.<sup>25</sup>

3.27 Poverty is also associated with where people live. There is growing evidence of regional disparities, with geographic concentrations of great wealth and great disadvantage within areas of all major capital cities and between cities and rural areas.<sup>26</sup> Poverty in rural and regional communities is discussed in chapter 14.

### *Poverty by State/Territory*

3.28 The extent of poverty varies between the States and Territories with evidence indicating that the smaller, less populous States generally exhibit the highest incidence of poverty and deprivation (although the extent of poverty often varies depending on the indicator used). Table 3.3 reproduces Smith Family data on poverty levels in the States.

**Table 3.3: Poverty levels – States and Territories (1999)<sup>a</sup>**

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
	%	%	%	%	%	%	%	%
Before housing costs	14.1	12.3	12.9	15.9	12.4	15.4	8.9	8.9
After housing costs	18.1	15.5	18.6	18.9	16.2	18.7	12.4	12.4

<sup>a</sup> half average income poverty line.

Source: Harding A & Szukalska A, *Financial Disadvantage in Australia – 1999*, The Smith Family, 2000, p.17.

3.29 As the table shows, poverty levels (on a before-housing cost basis) were greatest in South Australia, Tasmania and NSW. Poverty levels in all the States and Territories increased after housing costs were taken into account, although the pattern of poverty across the States was similar. South Australia, Tasmania and Queensland had the highest proportion of people in poverty after housing costs are removed, while the lowest proportion was recorded in the ACT and the Northern Territory (12.4 per cent).

3.30 ABS data show that, in 2001, the proportion of people in 'low income' households (before housing costs) was highest in Tasmania (27 per cent) and the

25 *Submission* 120, pp.19-20 (LHMU).

26 *Submissions* 1, p.2 (Dr Mendes); 98, p.4 (BSL); 69, p.15 (Victorian Government).

Northern Territory (25 per cent), and lowest in the ACT (11 per cent).<sup>27</sup> ABS data for 2000-01 indicate that average levels of incomes varied between the States. Three States had disposable household incomes below the national average of \$469 per week. Tasmania was the poorest State with mean weekly income 17 per cent below the national average income level, followed by South Australia (9 per cent below) and Queensland (6 per cent below). NSW and Victoria both recorded incomes at 3 per cent above the national average, with Western Australia at about the national level. The ACT recording the second highest average income (24 per cent above the average) after the Northern Territory.<sup>28</sup>

3.31 Submissions and witnesses commented on the particular features of poverty in the various States. SACOSS noted that South Australia is a low income state with average (mean) incomes, on both a before and after-housing basis, the lowest in the country. High levels of poverty have been contained by the State's lower housing costs, although this is now at risk due to a reduction in the public housing stock.<sup>29</sup> SACOSS stated, however, that the rate of poverty has doubled since the early 1980s. Rates of inequality have also doubled, but South Australia is less unequal than the other States, which is partly due to the fact that it has fewer high-income earners.<sup>30</sup>

3.32 Tasmania, like South Australia, is a low income State, with high levels of unemployment (and low labour force participation), low rates of pay for those employed and high levels of part-time and casual employment. Tasmania is also a high-cost state in terms of the 'basket' of essential goods and services required by all households, such as food, energy and transport.<sup>31</sup> Sea freight and transport charges can increase the cost of consumables relative to those on the mainland.<sup>32</sup> A further indicator of disadvantage is the high take-up of welfare payments – some 40 per cent of Tasmanian income units rely on government pensions and allowances.<sup>33</sup>

3.33 In Western Australia, WACOSS pointed to growing levels of deprivation within the community, noting that it is the most geographically vast and isolated State in the

27 'Low income households' refers to those persons in the bottom 20 per cent of persons ranked by their equivalised gross household income. See ABS, *Australian Social Trends 2003*, pp.6-8.

28 ABS, *Household Income and Income Distribution*, Cat. No. 6523.0, July 2003, p.9. The Northern Territory had the highest mean income – 34 per cent above the national average – although the ABS indicated that this probably overestimated average income levels as data from sparsely settled areas of the NT were excluded from the study.

29 *Submission 46*, p.7 (SACOSS); *Committee Hansard 29.4.03*, p.47 (SACOSS).

30 *Submission 46*, p.7 (SACOSS). See also *Submission 187*, pp.14-22 (SA Government).

31 *Submission 176*, p.7 (TasCOSS); *Committee Hansard 2.5.03*, pp. 207-11 (TasCOSS).

32 *Submission 195* (Mr Peter Brohier).

33 *Submission 185*, p.9 (Tasmanian Government).

country and 'faces unique and complex issues' in relation to poverty, especially related to its remoteness, high living costs and the problem of poverty amongst Indigenous communities.<sup>34</sup>

3.34 In Queensland the geographical differences in poverty and disadvantage were highlighted. Submissions and other evidence noted that poverty is particularly concentrated in a number of regions such as parts of the Cape and Gulf regions – both areas with large Indigenous populations, certain regional centres and areas on the urban fringe.<sup>35</sup> QCOSS indicated that poverty in Queensland has risen steadily from the 1980s to the mid 1990s, with poverty rates almost doubling during that period – 'of great concern is that poverty rates in Queensland have been and continue to be consistently high in comparison with national rates and in comparison with other states and territories'.<sup>36</sup>

3.35 In Victoria, VCOSS pointed to the growing disparity in income levels between regional/rural areas and metropolitan areas and specific areas within metropolitan centres.<sup>37</sup>

3.36 In the Northern Territory, NTCOSS indicated that the level of poverty in the Territory is often hidden and that on all indicators the Territory has the highest level of poverty of any State or Territory. NTCOSS commented that poverty is influenced by remoteness, a large Indigenous population, geographical distances with a small population spread over a large area and high population mobility which poses challenges in providing adequate physical and social infrastructure. These factors also impose additional costs for those living in the Territory.<sup>38</sup>

### **Income inequality**

3.37 Studies into trends in income inequality over recent decades and submissions to the inquiry point to increasing income inequality in Australia. As the Salvation Army noted 'strong economic growth over the last decade has not resulted in the highly anticipated emergence of strong social outcomes for many Australians'.<sup>39</sup>

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34 *Submission* 183, p.9 (WACOSS). See also *Committee Hansard* 28.7.03, pp.1027-30 (WACOSS).

35 *Committee Hansard* 4.8.03, pp.1192-93 (QCOSS); *Submissions* 160, pp.3-10 (QCOSS); 129, p.4 (Queensland Government).

36 *Submission* 160, p.6 (QCOSS).

37 *Submission* 118, pp.6,12 (VCOSS).

38 *Committee Hansard* 29.7.03, pp.1081-83 (NTCOSS).

39 *Submission* 166, p.8 (Salvation Army). See also *Submissions* 44, pp.42-45 (SVDP National Council); 98, pp.5-6 (BSL); 163, pp.67-71 (ACOSS).

3.38 Studies into the distribution of both *earnings* and of *income* have shown increasing inequality. In relation to earnings, studies have found increasing inequality since the 1980s. An ABS study concluded that inequality in the distribution of wage and salary earnings of full-time adult employees increased in the 1980s and that this trend continued through the 1990s.<sup>40</sup> Another study by Professor Saunders found that the inequality in full-time wage and salary earners incomes, as measured by the Gini coefficient, increased from 0.224 in 1990, to 0.271 in 1994-95 to 0.275 in 1999-2000.<sup>41</sup> Analysis by FaCS confirmed these trends. The Department stated that there has been increasing dispersion of earnings since 1979, with the top percentiles recording stronger growth than the bottom percentiles. Since the mid 1980s three trends were evident:

- between 1985 and 1990, earnings at the bottom fell almost continuously in real terms, while those at the top remained stable after an initial fall;
- between 1990 and 1996, earnings at the bottom initially rose, but then remained stable, while those at the top consistently increased in real terms; and
- between 1996 and 2000 earnings grew at all points, although more rapidly at the top of the earnings distribution.<sup>42</sup>

3.39 Earnings distribution statistics reflect the impact of the market on the distribution of economic rewards. A more complete picture is provided by taking into account the impact of government tax and transfer (social security) programs. By assessing the impact of these programs it is possible to determine the distributional impact of social security benefits and the impact of income taxes on the distribution of income.

3.40 As noted above, income distribution statistics, which take into account the impact of the tax-transfer system, show a trend towards increasing inequality in Australia. This is indicated in recent ABS statistics as detailed in Table 3.4.<sup>43</sup>

3.41 As the table shows, one measure of the spread of incomes across the population is indicated by the percentile ratios. The P90/P10 ratio shows that in 2000-01, the top 10 per cent of households received 3.97 times the income of the bottom 10 per cent.

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40 ABS, *Australian Social Trends 2000*, p.x. See also *Submission 94*, p.8 (ACTU).

41 The Gini coefficient varies between 0, when income is equally distributed, and 1, when income is most unequal. See Saunders, *Year Book Australia, 2002*, p.11.

42 *Submission 165*, p.56 (FaCS).

43 'Income' in the study refers to disposable income, that is income from employment, investments and transfers from government (such as pensions, allowances and benefits), private institutions and other households, after the deduction of income tax and the Medicare levy. See ABS, *Household Income and Income Distribution*, Cat. No. 6523.0, p.29.

This ratio has increased from 3.77 in 1994-95, thus showing increasing inequality over the period 1994-95 to 2000-01.<sup>44</sup>

**Table 3.4: Selected Income Distribution Indicators\***

		1994-95	1995-96	1996-97	1997-98	1999-2000	2000-01
<i>Ratios of incomes of households at top of selected income percentiles</i>							
P90/P10	ratio	3.77	3.74	3.66	3.77	3.89	3.97
P80/P20	ratio	2.56	2.58	2.54	2.56	2.64	2.63
P80/P50	ratio	1.55	1.57	1.56	1.56	1.57	1.56
P20/P50	ratio	0.61	0.61	0.61	0.61	0.59	0.59
<i>Income share</i>							
Lowest quintile	%	7.9	8.1	8.3	7.9	7.7	7.6
Second quintile	%	12.8	13.0	13.1	12.8	12.6	12.5
Third quintile	%	17.7	17.7	17.8	17.6	17.6	17.7
Fourth quintile	%	23.7	23.9	23.7	23.8	23.7	23.6
Highest quintile	%	37.8	37.3	37.1	37.9	38.4	38.5
All persons	%	100.0	100.0	100.0	100.0	100.0	100.0
<i>Percentage share of total income received by persons with:</i>							
Low income (a)	%	10.8	10.9	11.0	10.8	10.5	10.5
Middle income (b)	%	17.7	17.7	17.8	17.6	17.6	17.7
High income (c)	%	37.8	37.3	37.1	37.9	38.4	38.5
Gini coefficient	no.	0.302	0.296	0.292	0.303	0.310	0.311

\* Equivalised disposable household income – disposable household income adjusted on the basis of the household's size and composition.

- (a) Persons in the second and third income deciles.
- (b) Persons in the middle income quintile.
- (c) Persons in the highest income quintile.

Source: ABS, *Household Income and Income Distribution*, Cat. No.6523.0, July 2003, pp.10, 13.

44 P90 is the income level dividing the bottom 90 per cent of the population from the top 10 per cent. P10 is the income level dividing the bottom 10 per cent of the population from the rest of the population.

3.42 Another measure of income distribution is provided in the income shares going to groups of people at different points in the income distribution. The table shows that, in 2000-01, those on 'low incomes' (that is, 20 per cent of the population in the 2<sup>nd</sup> and 3<sup>rd</sup> income deciles) received 10.5 per cent of household income, whereas those in the 'high income' group (that is, the 20 per cent of the population in the highest income quintile) received 38.5 per cent of the income.<sup>45</sup> The income shares of the low income group declined from 10.8 per cent to 10.5 percent of income over the period 1994-95 to 2000-01, whereas the income share of the high income group increased from 37.8 to 38.5 per cent over the same period. The 'middle income' group's share of income remained relatively stable. The ABS concluded that its analysis of the latest income distribution statistics support 'a conclusion of some increase in inequality' since 1994-95.<sup>46</sup>

3.43 Professor Saunders, commenting on the ABS data, noted that since 1995-96, 47 per cent of the total increase in income was received by those in the top quintile. He added that 'almost half of the economy-wide increase in income generated by economic growth under the Howard Government was of no benefit to the bottom four-fifths of the population'.<sup>47</sup>

3.44 An earlier study by Harding and Greenwell reflected these trends. The study based on ABS income surveys found that income inequality increased between the late 1980s and the mid-1990s and there was some evidence to suggest that this trend had continued (which was confirmed in the ABS study cited). The increase in inequality was driven by declines in the income shares of the bottom 10 per cent, and to a lesser extent, the middle 20 per cent of Australians during the 1990s, and an increase in the income share of the top 10 per cent.<sup>48</sup>

3.45 This trend towards increasing inequality was reinforced in evidence from ACOSS. Drawing on Smith Family research, ACOSS noted that using three different poverty lines 'all three show a gradual but significant increase in income poverty over the late 1990s'. This is illustrated in Figure 3.1.<sup>49</sup>

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45 The ABS uses the second and third deciles and not the lowest decile to indicate 'low income' because of some underreporting of income by low income households in the lowest income decile and the reporting of low or negative business incomes in this decile which may distort the income distribution. See ABS, *Household Income and Income Distribution*, pp.29-30.

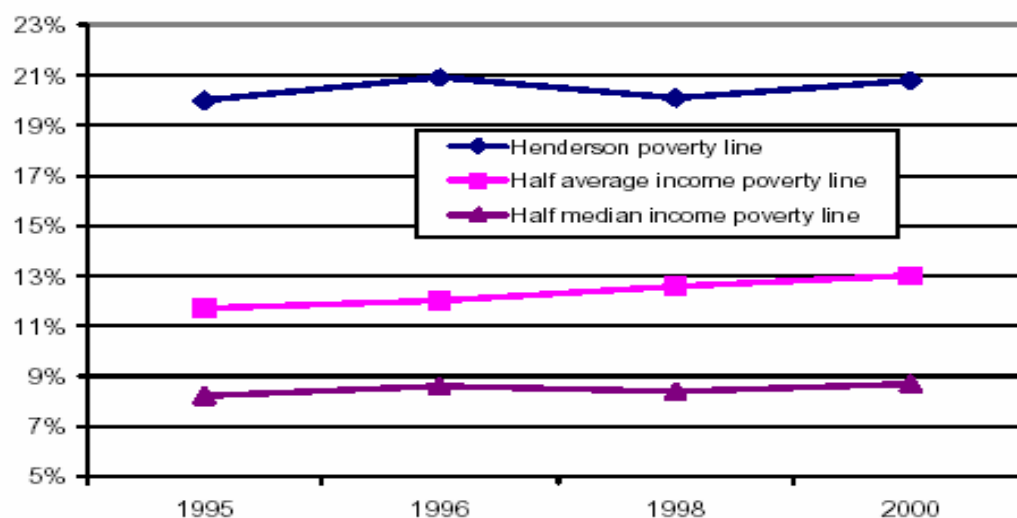
46 ABS, *Household Income and Income Distribution*, p.11.

47 Saunders P, 'It's Official: Inequality is Increasing Again' *Impact*, Spring 2003, p 5.

48 Refers to disposable (after income tax) income, adjusted for differences in household size. See Harding A & Greenwell H, 'Trends in Income and Expenditure Inequality in the 1980s and 1990s', NATSEM Discussion Paper No 57, June 2002, p.21.

49 *Submission* 163, p.69 (ACOSS).



**Figure 3.1: Trends in income poverty**

3.46 Not only are income levels low for large numbers of Australians but critical expenditures on a range of necessities have been rising at a faster rate than the level of inflation. For example, Table 3.5 shows that since 1989-1990 the following costs have increased.

**Table 3.5: Cost Increases**

<b>Education</b>
<i>An Increase of 173 % higher than the increase in the CPI</i>
<b>Health</b>
<i>An Increase of 98 % higher than the increase in the CPI</i>
<b>Hospital and medical</b>
<i>An Increase of 137 % higher than the increase in the CPI</i>
<b>Dental</b>
<i>An Increase of 113.5 % higher than the increase in the CPI</i>
<b>Urban Transport Fares</b>
<i>An Increase of 134 % higher than the increase in the CPI</i>

Source: Submission 44, p.19 (SVDP National Council).

### ***Impact of the GST***

3.47 Submissions commented on the adverse financial impact that the GST is having on low income groups. They noted that the costs for many products and services have substantially increased since the introduction of the GST, especially in relation to clothing and other necessities, utility prices, insurance, and household services including repairs and maintenance. It was commented on that the compensation

arrangements in relation to tax cuts and pension increases for low income households when the GST was introduced has been inadequate.<sup>50</sup>

3.48 FaCS advised the Committee that information on the distributional impact of the GST on different income groups will not be available until the release of data from the 2003-04 ABS Household Income and Expenditure Survey. This data will not be available until late 2005.<sup>51</sup>

### ***Impact of taxes, transfers and other benefits***

3.49 Studies have shown that the trend towards increasing earnings dispersion, in particular, has been mitigated by the redistributive impact of taxes and transfer (social security) payments and other benefits. One study noted that in 1999-2000, for example, social transfers reduced income inequality (as measured by the Gini coefficient) by 22.2 per cent, while income taxes reduced it by an additional 12.1 per cent. In that year, the two main distributive instruments of the welfare state combined to reduce income inequality generated in the market sector by around one-third.<sup>52</sup>

3.50 A comprehensive study in the Smith Family submission showed the redistributive effect of taxes, transfers and indirect benefits. The study looked at the impact of government cash transfers (such as pensions), income taxes, selected indirect taxes and indirect benefits, such as health, education, housing and welfare. This study is particularly valuable as previous studies referred to above generally *exclude* the impact of indirect taxes and indirect benefits. Details of the study are provided in Table 3.6.

3.51 The study shows that direct cash benefits, such as the age pension and unemployment allowances, are heavily skewed towards lower income groups. Indirect benefits, via the use of free or subsidised social services, are also skewed towards lower income groups but are not nearly as targeted towards lower income groups as the direct cash benefits. In particular, the second lowest and middle income quintiles receive higher indirect benefits than the lowest income quintile.

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50 *Submissions* 44, p.39 (SVDP National Council); 223, p.4 (APSF); 184, p.19 (COTA National Seniors).

51 *Submission* 165, Supplementary Information, 13.8.03, p.10 (FaCS).

52 Saunders P, *Year Book Australia, 2001*, p.12.

**Table 3.6: Estimated average value of benefits received and taxes paid by equivalent income quintile, 1998-99<sup>a</sup>**

	<i>Quintile of Equivalent Disposable Income</i>					
	Bottom 20% \$ pw	Next 20% \$ pw	Middle 20% \$ pw	Next 20% \$ pw	Top 20% \$ pw	All 20% \$ pw
Direct cash benefits <sup>b</sup>	252.3	202.4	68.8	25.5	6.5	111.0
Gross income	233.6	440.4	787.4	1132.2	1826.7	884.8
Disposable income	232.7	418.2	666.3	899.8	1311.9	706.3
<i>Selected indirect benefits</i>						
- Education	43.5	85.8	106.8	81.0	51.0	73.6
- Health	92.8	106.2	87.6	74.0	61.8	84.4
- Welfare	49.3	45.6	26.4	12.1	2.3	27.1
- Housing	12.6	3.4	1.0	0.4	0.2	3.5
Total indirect benefits	198.3	241.0	221.8	167.5	115.3	188.7
Disposable income + indirect benefits	431.0	659.2	888.0	1067.3	1427.2	895.0
Selected indirect taxes	38.8	60.8	86.1	95.4	114.7	79.2
Final income	392.2	598.3	802.0	971.9	1312.5	815.8
Ratio of final income to disposable income	1.7	1.5	1.2	1.1	1.0	1.2
Average number of usual residents	2.0	2.7	3.1	2.8	2.4	2.6

<sup>a</sup> Disposable income equals gross income minus income tax. Final income equals disposable income plus indirect benefits minus indirect taxes.

<sup>b</sup> For low-income households average cash benefits are higher than gross income because some households have negative private incomes (eg small businesses with losses).

Source: *Submission 172*, p.36 (The Smith Family).

3.52 The impact of selected indirect taxes including petroleum, alcohol and tobacco taxes is also included in the study. Such taxes are regressive, taking a greater proportion of the income of low income households than of high-income households. Indirect taxes paid by low-income households, for example, amount to an estimated \$38.80 per week – or just under 17 per cent of disposable income. For high income households, indirect taxes are much higher at \$114.70 per week, but this represents only 14 per cent of disposable income. 'Final income' in the study refers to private earnings, social security cash payments, indirect benefits such as education and health and the impact of indirect and income taxes. As the table indicates, low income households are net beneficiaries from these indirect benefits and taxes, with such indirect benefits and taxes increasing final income by 70 per cent relative to disposable income. For high income households, indirect taxes paid cancel out indirect benefits received, leaving their disposable and final income at the same level.

The study shows that the incomes of low-income households are significantly raised after taking into account taxes and benefits.<sup>53</sup>

### ***Wealth distribution***

3.53 Wealth plays an important role in generating well-being. Not only do assets, such as investments, generate income for households, but others, such as owner-occupied housing, provide a flow of benefits such as reduced housing costs. In addition assets, if liquid, can be used to smooth consumption over periods of limited earnings, or illiquid assets can be used as a source of collateral for such purposes. The SVDP noted that:

There can be no rational discussion of poverty without consideration of wealth...Poverty exists against a backdrop of wealth. To understand poverty in our community, we need also to address the environment of wealth in which poverty is produced.<sup>54</sup>

3.54 Wealth is more unevenly distributed than income and trends indicate that it is increasingly concentrated in fewer hands in Australia.<sup>55</sup> One study found that in 1967, 25 per cent of the wealth was concentrated in the hands of just 5 per cent of the population – this had increased to 29 per cent by 1998. The wealth held by the top two quintiles grew between 1967 and 1998 while the wealth of the bottom three declined. The study concluded that 'the trend towards greater wealth equality from the start of the century to the 1960s did not continue into the 1990s and may have reversed'.<sup>56</sup>

3.55 The estimated distribution of wealth in 2000 and projections to 2030 is detailed in Table 3.7. The table shows that in 2000, the bottom 50 per cent of the population held just 7 per cent of the wealth, whereas the top one per cent held 13 per cent of the wealth. The top 5 per cent of the population held 32 per cent of the wealth. The table indicates that the distribution of wealth will become more concentrated over the next 30 years. The share of the bottom 50 percent is estimated to decline from 7 per cent in 2000 to 5 per cent in 2030, while the share of the top 10 per cent is projected to increase from 45 per cent to 50 percent over the same period.

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53 See *Submission 172*, pp.35-36 (The Smith Family). See also *Submission 165*, p.58 (FaCS).

54 *Submission 44*, pp.12,37 (SVDP National Council).

55 See *Submission 44*, p.45 (SVDP National Council).

56 Kelly S, 'Simulating Future Trends in Wealth Inequality', Paper presented at the 2002 Australian Conference of Economists, October 2002, p.3.

**Table 3.7: Estimated distribution of wealth by selected percentiles, 2000-2030**

<b>Wealth Percentile</b>	<b>2000</b>	<b>2010</b>	<b>2020</b>	<b>2030</b>
	%	%	%	%
Top 1%	13.9	11.7	11.8	11.7
Top 5%	31.6	29.2	30.9	32.7
Top 10%	45.3	43.1	46.1	49.5
Top 20%	64.0	62.7	66.4	70.0
Bottom 50%	7.0	6.7	5.7	4.9

*Note:* 'Wealth' refers to the value of owner occupied housing, equities, rental investment property, superannuation and interest-bearing deposits.

*Source:* Kelly S, 'Simulating Future Trends in Wealth Inequality', Paper presented at the 2002 Australian Conference of Economists, October 2002, p.12.

## **Conclusion**

3.56 Evidence presented to the Committee and recent studies provide a profoundly disturbing picture of the extent of poverty and deprivation in Australia. While the numbers of those living in poverty varies between studies, even the most conservative estimates point to substantial numbers of people in material deprivation, struggling to make ends meet and largely excluded from social and economic participation in the wider society. Those most at risk of poverty today cover a wide range of groups living in various circumstances and spread throughout the country – ranging from Indigenous Australians, the unemployed, sole parent families, people on low wages and young people.

3.57 Evidence to the inquiry and specialist reports have also highlighted a trend towards increasing income and wealth inequalities in Australia. Statistics indicate that the dispersion of earnings and income have become more unequal in Australia, especially since the 1980s. While the impact of taxes, transfers (social security payments) and other benefits, such as education, health and welfare has resulted in some redistribution of income, inequality remains unacceptably high in this country.

3.58 The wider society must now face the consequences of increasing levels of poverty and disadvantage in this country. In succeeding chapters the Committee has outlined a series of strategies to address the persistence of poverty and deprivation in this country that sadly co-exists amid affluence and general material prosperity – a prosperity that has failed to be adequately shared by all Australians.



## CHAPTER 4

# UNEMPLOYMENT AND THE CHANGING LABOUR MARKET

*...the lack of employment is the biggest single cause of poverty in Australia at the moment. It is a key area that needs to be looked at in any poverty inquiry.<sup>1</sup>*

4.1 Unemployment, particularly long-term unemployment, is the most significant cause of poverty and disadvantage in the Australian community.<sup>2</sup> In the immediate post-war years through to the mid-1970s, Australia, like most advanced Western countries, maintained very low levels of unemployment. Since the mid-1970s the achievement of full employment has progressively lost ground as a policy priority, with the consequence that large numbers of Australians have been denied this basic right to work. As a consequence, unemployment and underemployment have remained at unacceptably high levels for over two decades and this has led to major social and economic costs for the community.

4.2 Unemployment has serious economic, social and emotional impacts. Unemployment puts severe financial and emotional stresses on families and leads to a loss of self esteem and social status. These can lead to family conflict and separations; to psychological and physical health problem; to homelessness and to a range of disadvantages for children growing up in these families. The effects of unemployment, however, reverberate beyond the jobless – unemployment reduces economic output and national income and the wider community is adversely affected with further demands placed on governments via the social security system and on the charitable sector.

4.3 This chapter looks at the changing labour market over recent decades, the definitional issues around unemployment and underemployment, and the relationship between joblessness and poverty. The chapter then reviews various issues related to unemployment and the changing labour market and strategies to address problems in relation to these issues. These include:

- the creation of more jobs;
- role and effectiveness of the Job Network;
- the problem of the long-term unemployed;

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1 *Committee Hansard* 30.4.03, p.55 (BSL).

2 *Committee Hansard* 30.4.03, pp.55-56 (BSL); *Submission* 163, p.104 (ACOSS).

- the problem of the 'working poor';
- increased casualisation of the workforce; and
- the impact of recent industrial relations changes on wages and working conditions.

### **The changing labour market**

4.4 Over recent decades there have been significant changes in the nature of employment in Australia. Evidence to the inquiry indicated the following trends:

- Employment in business services, retailing, hospitality and health and community services has grown, while that in the manufacturing and utilities sectors has declined.
- The proportion of jobs which are part-time or casual has increased, as has the proportion of lower-paid jobs within the service sector. Casual employment increased by 68 per cent in the 1990s. Permanent jobs increased by only 5.3 per cent over the same period, but the number of full-time permanent jobs actually fell by about one per cent. By August 2002, 27.3 per cent of all wage and salary earner jobs were casual and 66 per cent of these were part-time.
- Unemployment rates have increased markedly since the 1970s as has the average duration of unemployment (see below).
- Significant changes in the skills mix of occupations occurred with increases in both low and higher skilled jobs and decreases in intermediate skill level jobs.
- Earnings inequality increased during the 1990s. In 1991, low paid adults employed full-time (10<sup>th</sup> percentile) earned 71.6 per cent of those in the middle of the earnings distribution (50<sup>th</sup> percentile) of full-time adult non-managerial employees; by 2002 the ratio had declined 4.1 percentage points to 67.5 per cent. The pattern of rising wage inequality was particularly pronounced in the male labour market.<sup>3</sup>

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3 *Submissions* 94, pp.2-6 (ACTU); 98, pp.10-11 (BSL); Preston A, 'The changing Australian labour market: developments during the last decade', *Australian Bulletin of Labour*, vol.27, no.3, September 2001, p.169; Department of Industry, Tourism & Resources, *Key Demographic and Labour Market Trends in Australia during the 1990s*, 2002, p.7; and recent ABS statistics.



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## Unemployment and underemployment

4.5 In January 2004, there were 574 100 unemployed people in Australia (582 700 in seasonally adjusted terms), with an unemployment rate of 5.6 per cent (5.7 per cent in seasonally adjusted terms).<sup>4</sup> The ABS defines an unemployed person as a person aged 15 years and over who was working less than one hour a week in the survey week, had been actively looking for work and was currently available for work.

4.6 As noted above, since the early 1970s unemployment rates have increased significantly – the August unemployment rate averaged 3.7 per cent during the 1970s, 7.3 per cent during the 1980s and 8.9 per cent during the 1990s. There has also been a very substantial increase in the average time spent unemployed. The average duration of unemployment increased from approximately 12 weeks in the 1970s to 41 weeks during the 1980s. Subsequently it rose to around one year during the 1990s. As a consequence of this trend, the rate of long-term unemployment – an indicator of the number of persons unemployed for more than one year – more than doubled between 1980 and 1998. In January 2004, the number of long-term unemployed equalled 1.2 per cent of the labour force, the number of long-term unemployed persons was equal to 21.4 per cent of all those unemployed, and more than half (52 per cent) of these people had been seeking work for over two years.<sup>5</sup>

4.7 The growth in unpaid overtime also contributes to unemployment, especially in the services sector. One submission noted that in 2001-02 unpaid overtime had overtaken the amount of hours all people who were registered as unemployed could have worked and as such if this overtime had been 'paid' it would have removed all unemployment. The submission noted that 'if there is any sign that industrial conditions have declined, then it is the amount of unpaid overtime. The [human] cost of this unpaid overtime cannot be overestimated'.<sup>6</sup>

4.8 The official unemployment rate alone, however, underestimates the total number of people wishing to work. An element of unemployment is 'hidden' – that is, individuals who have given up looking for work and/or jobs with suitable hours (also known as discouraged job seekers) and others with marginal attachment to the workforce (for example, students and care-givers). When hidden unemployment is taken into account the adjusted unemployment rate is significantly higher. In September 2002, while there were 628 500 people officially unemployed, there were an additional 672 100 workers who preferred to work more hours (of these, 244 800

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4 ABS, *Labour Force, Australia*, Cat. No. 6202.0.

5 Key Demographic Trends, pp.7-8; and recent ABS statistics.

6 *Submission* 158, p.43 (Disability Action). See also *Submission* 180, pp.5-6 (Tasmanian Poverty Coalition).

had actively looked for more hours and were available to work more hours) and 808 100 who were 'marginally attached to the labour force'.<sup>7</sup>

4.9 Official unemployment statistics thus significantly underestimate the actual level of unemployment, particularly among females. Over the last decade, hidden unemployment accounted for, on average, 16 per cent of total male unemployment (official plus hidden unemployment). For females, the share of hidden unemployment as a proportion of total unemployment was much higher, equal to an average of 36 per cent.<sup>8</sup>

4.10 ACOSS in a recent study noted that if hidden unemployment was included in ABS statistics, the unemployment rate would be double the official rate. In September 2002, ACOSS estimated there were 1 344 000 unemployed, including the hidden unemployed, corresponding to an unemployment rate of 12.9 per cent, compared to the official unemployment rate of 6.3 per cent. Some groups, especially mothers, mature age people, Indigenous Australians and people with disabilities have much higher than average rates of hidden unemployment.<sup>9</sup>

4.11 The Australia Institute argued that the labour market statistics need to incorporate information on how many hours people would prefer to work as well as how many hours they do work. By collecting data on these items it would be possible to measure the nature and extent of unemployment, underemployment and overwork simultaneously.<sup>10</sup>

4.12 In addition to hidden unemployment there is the issue of underemployment. Underemployment may be defined as a situation where individuals are employed, but their skills and productive ability are not being fully utilised. Examples include workers employed in jobs not commensurate with their skills and persons employed part-time but wishing to work more hours. Data for August 2003 indicate that one third of all male part-time employed persons would like to work more hours; the corresponding proportion for female part-time employed persons is 22.3 per cent. The Centre of Full Employment and Equity at the University of Newcastle (CofFEE) estimated that in August 2002, while the official unemployment rate was 5.9 per cent, the addition of hidden and underemployment increased the rate to 11.2 per cent.<sup>11</sup>

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7 ABS, *Labour Force, Australia*, Cat. No. 6291.0.55.001.

8 Preston, p.163.

9 ACOSS, *Hidden Unemployment in Australia*, November 2003, pp.7-9.

10 *Submission 68*, Attachment B (The Australia Institute); *Committee Hansard* 19.6.03, pp.646-47 (The Australia Institute).

11 *Submission 201*, p.21 (CofFEE).

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## Joblessness and poverty

4.13 Evidence to the inquiry indicated that a strong relationship exists between poverty and employment status. Smith Family data on poverty rates of all people aged 15 years and over by their labour force status reveal that only 4.6 per cent of Australians who hold a full time job live in a family that is in poverty, however, the poverty risk increases to 11.7 per cent among Australians aged 15 and over who are working part-time. More than half of all Australians who are unemployed live in a family that is poor.<sup>12</sup>

4.14 Professor Saunders of the Social Policy Research Centre, using a different data set, stated that the poverty rate for jobless families, that is, with no employed member, is almost seven times higher than the poverty rate among families with one employed person. Having two employed persons in the family causes a further reduction in the poverty rate.

4.15 Professor Saunders noted that there is a very large reduction in poverty associated with having someone in *full-time* employment. The poverty rate is lower when there is one full-time worker than when there are two workers in paid employment. This highlights the fact that it is not so much access to any form of employment that reduces the risk of poverty (although this does have a positive impact) – but that access to full-time employment is the crucial factor.<sup>13</sup>

4.16 Professor Saunders emphasised the importance of increasing the number of full-time jobs and suggested that:

Generating high employment growth should thus be a crucial component of any poverty alleviation strategy, but generating a growing number of full-time jobs is even more critical. These findings as to the significance of full-time employment for poverty reduction cast a warning given Australia's poor record of full-time job creation in recent decades. Although joblessness is clearly a major contributing factor to poverty among working-age families, it does not automatically follow that any form of employment growth will produce substantial inroads into the poverty population. Job creation is important, but creating full-time jobs is even more so.<sup>14</sup>

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12 Harding A, Lloyd R & Greenwell H, *Financial Disadvantage in Australia, 1990 to 2000*, The Smith Family, 2001, p.12.

13 *Submission 95*, p.32 (Professor Saunders); *Committee Hansard 27.5.03*, p.436 (Professor Saunders). See also *Committee Hansard 29.5.03*, p.553 (CoffEE).

14 *Submission 95*, p.32 (Professor Saunders).

4.17 One study noted that employment trends over the last decade reflected a decline in full-time employment:

- The growth of full-time employment continued to be low relative to the growth of part-time employment. Over the decade 1990-2000, 25 per cent of the employment growth occurred in full-time jobs while 75 per cent was in part-time jobs.
- Within the small increase of full-time jobs there was a striking movement away from permanent full-time employment towards casual employment. Over the decade the number of permanent full-time jobs fell by 51 000 but the number of full-time casual jobs increased by 333 000.
- The same movement towards casual employment among full-time employees was evident among part-time employees. Part-time permanent employment increased by 355 000 but part-time casual employment increased by 492 000. The labour market has overwhelmingly moved away from permanent to casual jobs.<sup>15</sup>

### **Creating more jobs**

4.18 Evidence to the Committee indicated the importance of stimulating adequate employment growth to address the problem of unemployment. The Brotherhood of St Laurence (BSL) stated that:

There are not enough jobs. There is currently only one job available in the economy for every six job seekers. No matter how good your labour market programs, if you are not addressing the lack of jobs, then you are never going to get huge results.<sup>16</sup>

4.19 In the period from the immediate post-war years to the mid 1970s Australia, like most advanced Western countries, maintained very low levels of unemployment. The era was marked by the willingness of governments to maintain levels of aggregate demand that would create enough jobs to meet the preferences of the labour force. Unemployment rates during this period were usually below 2 per cent.

4.20 Evidence indicated that the post-war commitment to full employment has now been replaced by a government commitment to 'full employability' only, that is, that unemployed people should be *able* to be employed, not that they *are* employed.<sup>17</sup> CoffEE argued that this policy is aimed at making people work-ready assisted

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15 Gregory RG, 'Its full-time jobs that matter', *Australian Journal of Labour Economics*, vol.5, no.2, June 2002, p.275.

16 *Committee Hansard* 30.4.03, p.56 (BSL).

17 *Submission* 98, p.10 (BSL).

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through a range of government programs that vary in their effectiveness – 'but we are focusing on a diminished goal of full employability and we are forgetting that the major aim is to create a macroeconomic environment in which you have enough jobs and hours of work for those who want them'.<sup>18</sup>

4.21 Various proposals were advanced to increase the number of jobs. These included:

- making the achievement and maintenance of full employment a policy priority;
- developing targets for unemployment reduction, with an emphasis on the quality of new jobs generated;
- expanding employment in the public and community sectors in the areas of health, community services, education and environmental programs;
- formulating an industry development policy that links education and training, skill development, high productivity, and high quality, high wage employment; and
- developing an incomes policy to moderate wages growth, including high-income employees.<sup>19</sup>

### ***Full employment***

4.22 Many submissions argued that full employment should be a major goal of government. Unemployment represents a significant underutilisation of valuable human resources. In addition, high and persistent unemployment acts as a form of social exclusion. The costs of unemployment are significant and include not only income and output loss, but the deleterious effects on individual self-confidence and skill levels. Many unemployed people feel demoralised and socially isolated. The wider community is also adversely affected and there are increased burdens on the welfare sector and social security budgets.<sup>20</sup>

4.23 The Australian National Organisation of the Unemployed (ANOU) stated that full employment should be the centrepiece of national policy:

...[this] is founded upon our belief that every adult who wishes to engage in paid work should have the right to do so. This right cannot be fulfilled unless the work available meets the human need to obtain an income, to

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18 *Committee Hansard* 29.5.03, p.554 (CofFEE). See also *Submission* 201, pp.13-16 (CofFEE).

19 *Submissions* 163, p.114 (ACOSS); 98, p.viii (BSL).

20 *Submissions* 210, pp.13-14 (CofFEE); 28, p.2 (ANOU); 76, p.7 (Unemployed Persons Advocacy); 211, p.6 (Unemployed Workers Group -Townsville/Thuringowa).

contribute to society and to gain a status in the community through this contribution.<sup>21</sup>

4.24 The BSL also stated that 'there needs to be a commitment to full employment, which seems to have completely dropped off the agenda over the last 15 to 20 years. That comes a lot from an overly narrow economic focus and the desire to control inflation at all costs.'<sup>22</sup>

4.25 Some groups, however, cautioned that a definition of full employment needs to be relevant to contemporary circumstances. The Centre for Public Policy noted that:

...we would need to think about what we actually mean by full employment. Many people working part-time chose to work part-time – they are not working part-time in the sense that the Brotherhood suggested. They are not necessarily looking for additional hours; they are looking for that part-time option.<sup>23</sup>

### ***Job creation schemes***

4.26 Several submissions argued for the implementation of various job creation schemes to increase the total quantum of jobs available. The CofFEE has developed a comprehensive public sector job creation proposal. The proposal calls for the introduction of a Job Guarantee for all long-term unemployed people and a Youth Guarantee, which would provide opportunities for education, technical training and/or a place in the Job Guarantee program for all 15-19 year old unemployed people. Details of the proposal are provided below.

#### **Public sector job creation – A path to full employment**

The proposal for a Community Development Job Guarantee (CD-JG) has been developed by the Centre of Full Employment and Equity (CofFEE) and requires that two new employment initiatives be introduced. These are a Job Guarantee for all long-term unemployed (people who have been unemployed longer than 12 months) and a Youth Guarantee, comprising opportunities for education, technical training, and/or a place in the Job Guarantee program for all 15-19 year olds who are unemployed.

These initiatives would significantly augment the current labour market policies of the Federal Government.

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21 *Submission 28*, p.7 (ANOU).

22 *Committee Hansard 30.4.03*, p.58 (BSL). See also 30.4.03, p.58 (VCOSS).

23 *Committee Hansard 30.4.03*, p.59 (Centre for Public Policy).

Under this proposal, the Federal Government would maintain a 'buffer stock' of jobs that would be available to the targeted groups. The CD-JG would be funded by the Commonwealth but organised on the basis of local partnerships between a range of government and non-government organisations. Local governments would act as employers, and CD-JG workers would be paid the Federal minimum award. Any unemployed teenager (15-19 year old) who was not participating in education or training would receive a full-time or part-time job. Equally, all longterm unemployed persons would be entitled to immediate employment under this scheme. CD-JG positions could be taken on a part-time basis in combination with structured training.

The aim of the CD-JG proposal is to create a new order of public sector jobs that support community development and advance environmental sustainability. CDJG workers could participate in many community-based, socially beneficial activities that have intergenerational payoffs, including urban renewal projects, community and personal care, and environmental schemes such as reforestation, sand dune stabilisation, and river valley and erosion control. The work is worthwhile; much of it is labour intensive requiring little in the way of capital equipment and training; and will be of benefit to communities experiencing chronic unemployment. It is in this sense that the proposal represents a new paradigm in employment policy.

To implement the CD-JG Proposal at a national level would require an estimated net investment by the Commonwealth of \$3.27 billion per annum. The net investment required to employ all unemployed 15-19 year olds under the Youth Guarantee component of the proposal would be \$1.19 billion. On the other hand, \$1.96 billion is required to employ all long-term unemployed persons aged 20 and over. Clearly, the stronger is the private sector activity the lower this public investment becomes.

The creation of 265 300 CD-JG jobs would be required to eliminate youth unemployment and to provide jobs for people aged 20 years and over who are long-term unemployed. As a result, national output would rise by \$7.71 billion; private sector consumption would rise by \$2.38 billion; and an additional 68 900 jobs would be created in the private sector. The full implementation of the CD-JG proposal would thus yield an additional 334 200 jobs. The unemployment rate would fall to 4.0 per cent, after taking account of the labour market participation effects.

*Submission 201, pp.7-11 (CofFEE).*

4.27 CofFEE indicated to the Committee that its proposal had widespread local support in Newcastle from the business community, unions and community and welfare organisations. The Newcastle City Council also indicated its support for the proposal to be piloted in the local Hunter region. CofFEE stated that to implement the proposal in the Hunter would require net investment by the Commonwealth Government of \$120.4 million per annum.<sup>24</sup>

4.28 Evidence indicates that public sector job creation initiatives are an important element in labour market policies in many OECD countries. One submission noted

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24 *Committee Hansard 29.5.03, pp.558-59 (CofFEE); Submission 201, p.11 (CofFEE).*

that an OECD examination of the effectiveness of labour market programs concluded that direct creation of jobs through public service employment programs may be the only way to help many of the unskilled long-term unemployed. These job creation programs have become more effective over time as they have become more flexible, more targeted to local needs, and better linked to other labour market services.<sup>25</sup> An OECD study, however, concluded that direct job creation in the public sector shows that this approach has been of little success in helping unemployed people get permanent jobs in the open labour market. The study noted that as a result there has been a trend away from this type of intervention in the recent past, but it appears to be making a comeback now in some OECD countries, especially in Europe, usually as part of a 'reciprocal obligation' on the unemployed in return for continued receipt of benefits. However, OECD countries continue to spend large amounts on public sector job creation programs and the policy debate about the utility of this type of intervention continues.<sup>26</sup>

4.29 Other job creation proposals were also discussed during the inquiry. Australia @ Work informed the Committee of its co-operative venture that combines low cost housing initiatives and related job creation activities. The group pointed to its Bulahdelah Working Village project which seeks to support a small community of 30 families in the rural town of Bulahdelah. The project will facilitate 45 new jobs for co-op members.<sup>27</sup>

### ***Conclusion***

4.30 The Committee believes that the Commonwealth Government needs to be more pro-active in creating employment opportunities for Australians, especially in the creation of full-time jobs. Meaningful employment for the country's citizens is fundamental to their economic and social well-being, and also that of the nation.

4.31 Breaking down the barriers to employment must be a national priority. This requires a concerted effort on two fronts – increasing the total quantum of jobs by building on the foundations of strong economic growth, and improving the opportunities for disadvantaged people to get their fair share of secure and decent jobs (which is discussed later in this chapter).

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25 *Submission 201*, p.34 (CofFEE).

26 OECD, *Policies Towards Full Employment*, 2000, p.203.

27 *Submission 206*, pp.1-12 (Australia @ Work); *Committee Hansard 28.5.03*, pp.520-21 (Australia @ Work).



## **Recommendation 1**

### **4.32 That the Commonwealth Government develop a national jobs strategy to:**

- **promote employment opportunities, particularly permanent full-time and permanent part-time jobs;**
- **set long-term targets for increased labour force participation;**
- **develop better targeted employment programs and job creation strategies;**
- **ensure a substantial investment is made in education, training and skill development; and**
- **bring a particular focus on improving assistance to young people making the transition from school to work, training or further education to prevent life-long disadvantage.**

## **Recommendation 2**

### **4.33 That the Commonwealth conduct a review into the dynamics of the labour force, especially in relation to skill shortages.**

## **Role and effectiveness of the Job Network**

4.34 The Job Network provides subsidised employment services to Australia's unemployed, especially targeted at the more disadvantaged jobseekers. The Job Network replaced the Commonwealth Employment Service in 1998. Most publicly subsidised employment services were contracted out to for-profit and not-for-profit agencies under purchaser-provider contracts determined by the Department of Employment and Workplace Relations (DEWR). The first contract (JN1) with these providers came into operation in May 1998, the second (JN2) in early 2000 and the latest three-year contract on 1 July 2003 (JN3). Centrelink was established as a Government operated gatekeeper to the system and as the single benefit payments agency.

4.35 The Job Network has three major functions:

- Job placement (or 'Job Matching' in the first and second contracts) – providers match and refer eligible jobseekers to suitable vacancies, notified by employers. Under JN3, the job placement function is not directly part of the Job Network as general recruitment agencies and others outside the existing Job Network will fulfil this role.
- Job Search Support – Job Network providers offer a job search training program to jobseekers unemployed for at least 3 months.
- Intensive Support ('Intensive Assistance' in the first and second contract) – this is the most personalised and intensive form of assistance offered by the

Job Network. The types of assistance provided includes work experience, vocational training, job search techniques and language and literacy training.

4.36 The major change in the new arrangements from July 2003 is that jobseekers will be allocated to a single Job Network provider for the life of their unemployment episode. They will automatically go through cycles of assistance of varying intensity as their unemployment spell increases. Where jobseekers are referred to complementary programs, such as Work for the Dole, Job Network providers will retain contact with them and ensure continuing job search activities. Jobseekers unemployed for 12 months, or those at very high risk of enduring unemployment, will receive more extensive assistance for a period of 6 months through the customised assistance component of Intensive Support. This can include job matching, training, job search assistance, work experience and post-placement support. Job Network providers will get access to a funding pool (the Job Seeker Account) to subsidise particular forms of assistance to jobseekers – these services include fares, counselling, wage assistance and training. Of the various functions, the intensive phase of assistance (customised assistance) is the most important as it is targeted at the most disadvantaged jobseekers.

4.37 JN3 implements an Active Participation Model of employment placement and jobsearch. Under this new system there is an emphasis on guaranteeing access to a 'continuum of service', with the nature of that service increasing over time if the individual is at high risk of unemployment. It aims to provide assistance that is better targeted and timelier.

4.38 In addition to paying commencement fees when job seekers start in the intensive phase of assistance (which has been changed to fee-for-service payments in JN3), the Government also rewards providers for outcomes. For example, under JN3, a provider will receive outcome payments of over \$6600 if it successfully gets a job that lasts at least 26 weeks for a job seeker who has been unemployed for 3 years or more. This will be supplemented by fee-for-service and Job Seeker Account payments for that job seeker of around \$4500 over the three years.<sup>28</sup>

4.39 With continued long-term unemployment, the role of labour market programs has become even more important, especially in enabling disadvantaged job seekers to become more competitive in the labour market and to get a foothold in paid work. Current programs are performing poorly in this respect.

4.40 Submissions argued that the long term unemployed and highly disadvantaged jobseekers have not been well served in terms of quality of assistance delivered and employment outcomes by the Job Network to date.<sup>29</sup> Some submissions noted,

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28 Productivity Commission, *Independent Review of the Job Network*, June 2002, pp.xxii-xxii; Parliamentary Library, *Job Network, the 3<sup>rd</sup> Contract*, August 2003, pp.1-4.

29 *Submissions* 98, pp.24-25 (BSL); 201, pp.22-23 (CoffEE).

however, that the reforms under JN3 may go some way to addressing these problems. Catholic Welfare Australia noted that the intensive support initiatives under JN3 recognises that providing more active support earlier in a person's experience of unemployment will have greater potential to reduce the person moving into long term unemployment.<sup>30</sup>

4.41 Studies indicate that the employment impact of Job Network programs for job seekers has been negligible. A DEWR evaluation concluded that Intensive Assistance provided only negligible benefits for job seekers, and the likelihood of being in employment three months after completion was increased by only 0.6 per cent.<sup>31</sup> The Productivity Commission review of the Job Network also found that, using a variety of assessment methods, the Job Network programs have to date had only a modest effect on job seekers' chances of gaining employment – 'this finding is consistent with evaluations of previous Australian and overseas labour market programs, and is in line with realistic expectations about their capacity to reduce aggregate unemployment'.<sup>32</sup> While under the Job Network, intensive services are supposedly targeted to more disadvantaged jobseekers, some groups have consistently lower employment outcomes, including older job seekers (aged 55-64 years), those on unemployment benefits for more than two years, job seekers with less than year 10 education, Indigenous job seekers and those with a disability.<sup>33</sup>

4.42 A major objective of the Job Network is to reduce the numbers of long-term unemployed. Several reports have highlighted the ineffectiveness of Job Network programs on outcomes for the long-term unemployed. One study noted that long-term unemployment statistics 'tracked the reduction in unemployment during the Working Nation period, but there is evidence of persistence in the period following the introduction of the Job Network, despite strong employment growth'.<sup>34</sup> The failure of this system to assist disadvantaged clients is clearly reflected in the increases in long-term unemployment.

4.43 Several studies have compared the Job Network with previous labour market programs. ACOSS stated that employment outcomes for long-term unemployed people under the Job Network are less favourable compared with the former Working Nation programs. Another study examined ABS data on unemployment levels for males, females and long-term unemployed youth and concluded that 'it appeared that

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30 *Submission* 148, p.22 (Catholic Welfare Australia), See also *Submission* 133, p.6 (UnitingCare Australia).

31 Cited in *Submission* 98, p.25 (BSL).

32 Productivity Commission, p.xxvii.

33 Productivity Commission, pp.5.6-5.9.

34 Cited in Productivity Commission, p.5.10.

these groups had not benefited as much as under Working Nation'.<sup>35</sup> While DEWR argued that the Job Network has produced outcomes which are broadly similar to those achieved under previous labour market programs, the Productivity Commission noted that labour market conditions at the time of Job Network have been more buoyant than during Working Nation.<sup>36</sup>

4.44 The BSL stated that the Job Network's previous funding model provided strong incentives to focus resources on people who are easy to place rather than those with greater barriers to employment. By focusing on immediate outcomes, it discouraged investment in quality services with the potential to address causes of labour market disadvantage.<sup>37</sup> Under the recent reforms Job Network services are more outcome focused and the payment system provides the greatest rewards to those providers who achieve long-term employment outcomes for their hardest to place clients.<sup>38</sup>

4.45 Evidence to the Committee suggested a decline in the quality of support provided, a move away from holistic assistance, and a reduced focus on the broader welfare and personal needs of jobseekers. The Productivity Commission's review found that many jobseekers under JN2 received little or no assistance while in Intensive Assistance – the highest assistance category in the Job Network. The Commission noted that 'when all the evidence is reviewed, including anecdotal information provided by job seekers and providers, it still appears that a significant number of job seekers do not get substantial assistance'.<sup>39</sup> This led to large numbers of jobseekers being 'parked' – registered with the provider but provided with no assistance – because the cost of removing barriers is too high relative to the outcome payment. The Commission noted that many providers often direct their services to jobseekers that are likely to be responsive and 'park' those with either insurmountable or high barriers to work. The former funding arrangements provided weaker financial incentives to provide assistance to those limited job prospects. The Commission argued that the Active Participation Model in JN3 is likely to reduce parking problems.<sup>40</sup>

4.46 The Productivity Commission noted that although Intensive Support under JN3 offers a higher level of interaction with job seekers, some job seekers with large barriers to employment may not get much direct assistance from the Job Network. The

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35 Cited in Productivity Commission, p.5.12.

36 Productivity Commission, p.5.12.

37 *Submission 98*, p.25 (BSL).

38 DEWR, *Employment Services: An Active Participation Model – Discussion Paper*, May 2002, p.3.

39 Productivity Commission, p.9.13.

40 Productivity Commission, pp.xxxii-xxxiii.

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Commission suggested that there may be grounds for providing more tailored and very intensive assistance outside the Job Network to a selective group of job seekers.<sup>41</sup>

4.47 A further concern raised in evidence, which may directly affect poverty levels of disadvantaged jobseekers, is the removal of any notion of job quality from the achievement of employment outcomes. For example, Job Network providers in the past received the same payment for placing a job seeker in a low skilled, low paying job with no prospects for development as for placing someone in a job offering good training, reasonable pay, and possibilities for career development.<sup>42</sup> The new funding arrangements under JN3 do address this problem to some extent with, for example, higher outcome payments payable to Job Network providers placing highly disadvantaged jobseekers.

4.48 Active labour market programs, which aim to improve the 'employability' of young people and long-term unemployed are only one part of an employment strategy – the other aspect of this strategy is the need to provide effective links between the unemployed and sustainable jobs.

### ***Conclusion***

4.49 The Committee notes the concerns expressed relating to the inadequacies of the Job Network in terms of quality of assistance delivered and employment outcomes for the long term unemployed and highly disadvantaged jobseekers. The Committee notes that changes introduced to Job Network arrangements in July 2003 may go some way to addressing the concerns expressed, especially in providing greater flexibility and individualised support services to jobseekers, but believes that further substantial changes to the Job Network are required.

4.50 The Committee also considers that further measures to address the structural failure of the labour market to create sufficient employment opportunities need to be implemented to complement the employment services provided through the Job Network.

### **Recommendation 3**

#### **4.51 That the Commonwealth Government:**

- introduce a training guarantee for long term unemployed or at risk jobseekers under the Job Network;**
- introduce quality controls in the form of case management provided to jobseekers;**

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41 Productivity Commission, p.9.29.

42 *Submission* 98, p.25 (BSL).

- provide automatic entitlement to case management for long-term unemployed people and unemployed youth;
- provide caps on the number of unemployed persons a case manager can assist within a job service environment to reduce the incentive to churn; and
- consider the feasibility of introducing a 'training and hiring' model (referred to in paragraph 4.65).

#### Recommendation 4

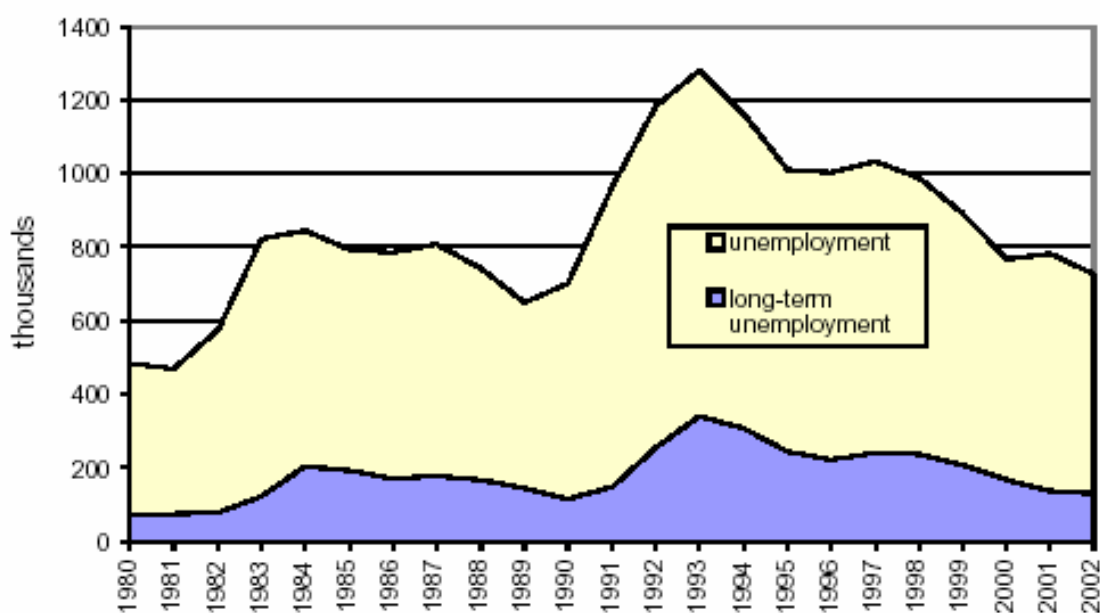
**4.52 That the Commonwealth Government introduce a range of measures, in addition to subsidised employment services, to address structural problems in the labour market.**

#### Long-term unemployed

4.53 One of the most disadvantaged groups in Australia is the long-term unemployed. Evidence to the Committee emphasised that effective employment assistance policies are vital in order to identify the barriers that are preventing their access to the labour market and to improve the job prospects of this particularly vulnerable group. In January 2004, there were 124 500 Australians who had been unemployed for 52 weeks or more, comprising 21.4 per cent of the total unemployed.

4.54 In Australia, unemployment rose substantially with recessions in each of the last three decades. Jobs growth was too weak to reduce it to previous levels in the ensuing recoveries. This and other factors led to a sharp increase in long-term unemployment as shown in Figure 4.1.

**Figure 4.1: Unemployment and long-term unemployment**



Source: Submission No.163, p.105 (ACOSS).

4.55 The length of time people are unemployed directly correlates with their likelihood of living in poverty. Some 79 per cent of people who have been unemployed for over a year live in poverty.<sup>43</sup>

4.56 ACOSS stated that in February 2003, out of 663,600 people registered for unemployment benefits with Centrelink, 394,500 people, or 59 per cent, had been registered for 12 months or longer. This compares with July 1991 when only 23 per cent of people were registered for over 12 months, indicating a large rise in the proportion of long-term unemployed over the last decade. Further, of those who have been out of work for at least a year, the majority have been unemployed for over two years.<sup>44</sup>

4.57 The long-term unemployed are much more likely than employed people or short-term unemployed people to have low education and skill levels, a chronic illness or disability, to live in a region of high unemployment, and to have an unstable employment history. Reducing long-term joblessness therefore requires a combination of strong jobs growth and labour market assistance and training policies to help these disadvantaged job-seekers to secure a reasonable share of the jobs created.

4.58 Reducing long-term unemployment is critical to achieving economic outcomes that are both efficient and equitable. In general, the longer a person is unemployed the greater the costs of each additional period of unemployment, both to the person and to society. Material hardship, and the physiological and psychological damage resulting from unemployment, are all likely to increase as the duration of unemployment grows.<sup>45</sup>

4.59 Persistent long-term unemployment has caused a large group of Australians to live under extended economic hardship. A high proportion of long-term unemployment among the unemployed indicates that the burden of unemployment is concentrated on a relatively small number of people, who often are at risk of permanent detachment from the labour market.

### ***Skill development and work experience***

4.60 Many submissions indicated that insufficient attention has been paid to education, training, and skill development for unemployed people. They argued that more training assistance should be provided for the long-term unemployed including the upgrading of numeracy and literacy skills, as well as general communication skills to enhance their employability. Catholic Welfare Australia proposed that cash payments should be provided (of \$1000 per year of study completed) for long-term

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43 *Submission* 163, p.105 (ACOSS).

44 *Submission* 163, p.105 (ACOSS).

45 *Submissions* 163, pp.105-6 (ACOSS); 201, p.25 (CofFEE).

unemployed jobseekers who undertake and complete a recognised course which will provide relevant skills.<sup>46</sup>

4.61 Submissions emphasised that effective employment assistance is critical to enabling people who are unemployed to move into work as early as possible. ACOSS and other groups argued that there is only limited assistance available to overcome barriers to work. As noted above, a revised model of employment assistance was introduced through the Job Network from July 2003. This provides, *inter alia*, for the provision of higher level assistance for people who have been unemployed for one to two years or who are identified as at very high risk of long-term unemployment. This includes provision of a Job Seeker Account whereby Job Network providers will be able to purchase or provide assistance for job seekers to address their barriers to employment.

4.62 Groups argued that in order to combat the labour market disadvantage facing the majority of long-term unemployed jobseekers, substantially more assistance is required. The BSL argued that while the Job Seeker Accounts may improve the situation, the amount provided for each jobseeker (up to \$1200) is still modest.<sup>47</sup>

4.63 Of particular concern to many is the lack of assistance for those who are the very long-term unemployed and who fail to get an outcome through customised assistance. After two attempts at Customised Assistance there is no further substantial assistance provided. A person who is unemployed for a very long time is so disadvantaged within the labour market that moving into sustained employment is unlikely without substantial intervention.<sup>48</sup> ACOSS argued that an Employment Assistance Guarantee should be introduced targeting long term unemployed or at risk jobseekers who have not got an outcome within three months of undertaking Customised Assistance. The Guarantee would provide incentives for Job Network providers to spend more on appropriate training and on wage subsidies, and provide job seekers with appropriate help that they need. The cost would be met in equal part by the provider and the Government.<sup>49</sup>

4.64 Another gap identified during the inquiry is the lack of effective programs to provide work experience for the long-term unemployed. Employers often prefer to appoint jobseekers with recent work history, and the longer someone is out of work, the more uncompetitive they become. Work experience can overcome this in part, and provide on-the-job training in work practices and expectations of employers. A serious

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46 *Submission* 148, p.24 (Catholic Welfare Australia).

47 *Submission* 98, p.25 (BSL).

48 *Submissions* 148, p.22 (Catholic Welfare Australia); 163, p.114 (ACOSS).

49 *Submission* 163, p.115 (ACOSS).



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strategy to reduce long-term unemployment must provide for greater opportunities for paid work experience.<sup>50</sup>

4.65 ACOSS suggested that a transitional jobs scheme could be introduced, whereby people who have been unemployed for over two years would be provided with six months employment at a training wage, and with significant wage subsidies, in the not-for-profit and public sectors. Wage subsidies would be primarily funded through direct savings on income support.<sup>51</sup> The BSL suggested another option could be based on the Swedish 'training and hiring' model which provides public subsidies to employers who temporarily release low-skilled workers to upgrade their qualifications as long as they are replaced by an unemployed person.<sup>52</sup>

### **Recommendation 5**

**4.66 That a transitional jobs scheme for the very long term unemployed be introduced, whereby people who have been unemployed for over two years would be provided with six months employment at a training wage in the not-for-profit and public sectors.**

4.67 Submissions also argued that targeted policies to reduce the cost to employers of employing long-term unemployed and disadvantaged jobseekers, for example, by way of direct subsidies, tax exemptions or rebates need to be developed. These need to operate over a reasonably long timeframe, as employers tend not to respond to short-term incentives.<sup>53</sup>

### **The working poor**

4.68 Until relatively recently to be in paid work but poor used to be a contradiction in Australia. In the 1970s, the Henderson poverty inquiry found that less than two per cent of families with an adult in full-time employment could be described as poor. Rather, poverty was mainly a problem for those who could not get waged work. Since the 1990s, however, having employment is no longer a guarantee of staying out of poverty. The phenomenon of the 'working poor' refers to the situation where households fall below a defined poverty line even when family members are in paid employment.

4.69 ACOSS stated that some 365,000 Australians were living in 'working poor' households in 2000. These are families and single people whose main source of income is wages and salaries but whose incomes are below the poverty line, using the

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50 *Submission* 135, p.8 (Salvation Army).

51 *Submission* 163, p.115 (ACOSS).

52 *Submission* 98, p.26 (BSL).

53 *Submissions* 98, p.viii (BSL); 135, p.8 (Salvation Army).

before-housing half average income poverty line. Although this represented just 3.2 per cent of people living in such wage-earning households, it represented 15 per cent of all people living in poor households.<sup>54</sup>

4.70 Worsening wage inequality is a major contributor to the widening social divisions in society. This problem has been exacerbated by the increasing numbers of people unable to secure full time permanent work and forced to take casual and part time jobs.<sup>55</sup> A Smith Family study showed that the risk of poverty for those working either full-time or part-time increased slightly over the decade 1990-2000. While 10.7 per cent of all Australians working part-time were in poverty in 1990, by 2000 this had increased to 11.7 per cent. For wage and salary earning families there was a marginal increase in the risk of being in poverty in all four earnings category (namely, one part-time earner, one full-time earner, two earners – at least one part time – and two full-time or three earners) over the corresponding decade.<sup>56</sup> Another study commissioned by the Smith Family found that one in five poor Australians live in a family where wages and salaries are the main source of income.<sup>57</sup>

4.71 The demographic characteristics of low-paid workers show that women, workers with no post-secondary educational qualifications and younger workers are overrepresented in this group. One study found that whereas 45 per cent of all wage and salary earners are women, they make up 54 percent of low paid workers. Almost half (46 per cent) of low paid employees are persons who had left school before completing secondary school. Also, younger adults, those aged under 30 years, have a higher representation in the low paid group than older workers. As to geographical location, workers living in rural areas and small urban centres were more likely to be in low paid jobs. Persons born in a non-English speaking country also have a slightly higher likelihood of being in low paid employment.<sup>58</sup>

4.72 Severely limited opportunities are often part of the life experiences of low wage working poor individuals and their families. A lack of financial resources often has adverse flow-on effects for workers and their families. A lack of money can led to reduced access to preventive health and other services; reduced educational opportunities for their children and a disincentive for them to participate in post-secondary education; and a reduced ability to participate in social activities and in the

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54 ACOSS, *Submission to the AIRC National Wage Case*, March 2003, p.3.

55 *Submission 163*, p.115 (ACOSS).

56 Harding, Lloyd & Greenwell, pp.13-14.

57 Harding A & Szukalska A, *Financial Disadvantage in Australia – 1999*, The Smith Family, 2000, p.9.

58 Dunlop Y, 'Low-paid employment in the Australian labour market, 1995-97' in Borland J *et. al.* eds., *Work Rich, Work Poor*, Centre for Strategic Economic Studies, 2001, pp.99-100.

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wider society generally. Lack of financial resources also reduces a worker's asset base with more likelihood that their financial difficulties will persist into old age.

4.73 A study by Eardley examined the growth of the 'working poverty' in Australia from the 1980s to the mid 1990s using ABS survey data.<sup>59</sup> Although there are many different measures of low pay in the literature, the most widely used approach is to define an hourly earnings threshold level which reflects the level of remuneration for work undertaken in a job. A person earning under this cut off is deemed to be working for low pay. The study defines 'low pay' as two-thirds of the median hourly rate for all waged workers. The measure included both men and women, and full-and part-time employees.

4.74 The study found that the phenomenon of working poverty in Australia is an increasing problem with the proportion of low-paid workers who are also in poor families increasing to about one in five in 1995-96. Only part of this is due to the increasing prevalence of involuntary part-time and casual work. In 1981-82, one in ten low-paid adult employees lived in poverty, as defined by the Henderson poverty line – this had increased to one in five by the mid-1990s. The growth in poverty among those in full-year, full-time work appears to have risen significantly, with a particular increase among single person households. While the unemployed as a group are still more likely to live in poor families than even low paid employees, employment seems to be becoming a much less effective safeguard against poverty than in the past.

4.75 The current system of enterprise bargaining severely disadvantages low-paid workers. The Australian Liquor, Hospitality and Miscellaneous Workers Union (LHMU) stated that bargaining at the enterprise level is most suited where workers are employed in large enterprises providing long-term employment in fixed locations. This does not exist in many service establishments which are characterised by indirect employment relations, the dispersal of workers in the same industry across many establishments, and high rates of casualisation and turnover. In addition, subcontracting makes enterprise bargaining difficult because the employer for whom workers perform their labour is not the direct employer with whom workers are legally able to bargain.<sup>60</sup>

### ***Life for the low paid***

4.76 The Committee received a substantial amount of evidence during the inquiry from many individuals in low wage employment. The personal experiences of these people provided a very valuable insight for the Committee about the difficulties faced

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59 Eardley T, 'Working but Poor? Low Pay and Poverty in Australia', SPRC Discussion Paper No. 91, November 1998, pp.21-35. See also Eardley T, 'Low Pay and Family Poverty', *Family Matters*, No 51, Spring/Summer 1998, pp.29-32.

60 *Submission* 120, pp.11-13 (LHMU).

in making ends meet and providing for themselves and their families. Some of these individual case studies are provided in the box below.<sup>61</sup>

4.77 This evidence of these people indicated that for low paid employees:

- finances are always tight;
- expenditure is modest and overwhelmingly on necessities (food, clothing, housing and utilities); and
- there is an ever present financial stress, which requires the low paid to carry a level of debt in order to make ends meet and to go without things and activities associated with full and active participation in society.

### **The working poor – doing it tough**

**Ms McScheffrey** – I am 31 years of age. I am in a de facto relationship, with three children under 10. I currently work at the Flinders Medical Centre Community Child Care Centre as a child-care worker and I have been there for 10 years. I am also an LHMU member. I work on a casual rate because I choose to, as I will get more money per hour, \$15.35 an hour doing 24 hours a week, and I forgo my sick leave and holiday pay as I am better off getting the extra hourly rate.

We used to get a health care card. We no longer do, because my partner's and my combined income is \$50 over the limit. Due to not having a health care card, we get no help with school fees and have to pay the full doctors fees, as there is no bulk-billing in my area. The family payment system does not seem to support families where both parents are part-time or casual. We have inadvertently incurred family allowance debts because we have to estimate our future incomes, and quite often have had to pay back. A number of times we could have been eligible for parenting payment but have not bothered to fill out the forms because it is too much hassle to fill them out and it is only for one or two fortnights. The next fortnight you are not eligible for it. You get knocked off. You have to go back and fill the forms out again.

My life could be worse, but when I see people like CEOs and managers earning so much money, obviously the money is there for us to be paid better so that I could afford to take my children on holidays, to go to the movies et cetera and to do household repairs, and maybe to run two cars. I would like the committee to look into the reasons why, if the money is there to pay CEOs and managers such large amounts of money, low-wage earners cannot have a better lot.

*Committee Hansard 29.4.03, p.5 (Ms McScheffrey).*

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61 See also *Submission 94, ACTU, Minimum Wages Case 2003: ACTU Witness Statements*, 5 February 2003, tabled at hearing 30.4.03.

**Ms Parajo** – I work at the Sheraton on the Park, and I am a LHMU delegate there. I have worked at the hotel for almost nine years. My job is in the uniform and/or valet attendant area. I receive approximately \$306 per week after tax. I work approximately 21 hours a week. I have five dependent children between the ages of two and 13. I am a single parent, unfortunately. I would like to work more hours a week, but I cannot manage due to my parenting responsibilities. In any case, I try to work every second weekend just to get extra money from the penalty rates to help pay the bills. I am sorry, but I am a bit upset. I cannot remember the last time I was able to take a break or to have a holiday.

I find it very difficult to manage my basic costs such as clothes, health, transport and education. The living wage pay rise I receive is so small. It is a bit of help, but it needs to be bigger to make any real difference. What can the committee do to make sure that in any future pay increase I receive real help? I have been forced to take unpaid leave for the birth of my children. This has forced our family into financial hardship. What can the committee do to make sure that working families do not continue to suffer when children arrive? Can you ensure that paid maternity leave becomes a right for all workers, especially the low paid, especially us? We are working for peanuts.

*Committee Hansard 26.5.03, p.318 (Ms Parajo).*

**Mrs Dewar** – I work in the bar and in food preparation at the Queensland Turf Club and the Brisbane Lions Club at the Gabba. I enjoy the customers and the social interaction in hospitality. I am a casual worker. I used to work two shifts at the Queensland Turf Club, a mid-week shift and a Saturday shift. I had worked at the turf club for seven years and I had had these shifts for two years when the manager took me off the mid-week shift. This left me with only one shift at the turf club and one shift at the Brisbane Lions Club. I now take home \$160 a week. I also receive some money from Centrelink. Losing a shift is a lot to someone who is on their own and relying on this money. You do not have any choices when you are casual. You do not want to cause trouble. Managers can make decisions based on personality instead of on work ethic, and they do this all the time. I am an honest and hard worker. It is not because of my work that I lost this shift; it is because of favouritism and personalities.

I am on my own...I am 54 years of age, and I would like to retire by the time I am 60. It is difficult to be on your feet all day. I feel like I have done the hard work in life, but I have no option but to stick it out.

I manage on the income that I get. I put away anything extra that I can. I am currently paying off my house, but it is getting hard because everything is going up. It is getting harder to manage day to day. I cannot afford a car, and it takes me 1½ hours to get from Green Meadows to Ascot because I need to get a few buses. I also cannot afford to go on holidays. Casuals in hospitality have no security. We want to be treated fairly. I would like to ask: what can the government do to make sure that we can keep our shifts and that we have as much security as other people?

*Committee Hansard 4.8.03, p.1143 (Mrs Dewar).*

4.78 The ACTU commissioned a study, based on HES data, on the financial stress experienced by households whose principal source of income is employee income. The study provides empirical evidence of the financial struggle experienced by

'working poor' households. The data for the first quintile households is provided below.

### **The working poor – survey of financial stress**

- When asked about the management of household income the majority of households – 58.5 per cent or 477,477 households – responded that they just managed to break even most weeks while a further 17.9 per cent (146,100 households) said they spend more money than they get. That is, more than three quarters of the first quintile households are just breaking even or are spending in excess of their income.
- When asked to compare their standard of living with two years ago, 69.2 per cent or 564,810 households said it was worse (27 per cent) or the same (42.2 per cent). Only 27.3 per cent felt their present standard of living better than 2 years ago.
- 34.9 per cent or 284,854 households said the reason they had not had a holiday away from home for at least one week per year was that they could not afford to.
- 29.9 per cent or 244,044 households indicated that they had experienced cash flow problems in the past year.
- When asked if they could raise \$2,000 in an emergency 26.0 per cent or 212,212 households reported that they could not.
- 22.0 per cent or 179,564 households said they could not afford to have a night out once a fortnight.
- 20.4 per cent or 166,505 households reported having not paid utilities bills due to shortage of money, and 10.3 per cent responded that they had not paid registration or insurance bills on time due to shortage of money.
- 14.6 per cent or 119,165 households said they could not afford a special meal once a week.
- 14.2 per cent or 115,900 households said the reason some members of the household bought second hand clothes is that they couldn't afford to buy new ones. The same proportion – 14.1 per cent said they had sought financial help from friends or family due to shortage of money.
- 11.5 per cent or 93,863 households said that the reason members didn't spend time on leisure or a hobby activity is that they couldn't afford to.
- When asked about the main source of emergency money 17.7 per cent or 144,467 households responded that they would need to rely on a loan from family or friends. A further 15.6 per cent would need to rely on a loan from a bank/building society/credit union, and 9.2 per cent a loan on a credit card.

*Submission 94, pp.12-14 (ACTU).*

4.79 The evidence indicates that for low paid, low income working families life is a struggle involving significant levels of financial stress and disadvantage. It also shows a lack of capacity to participate socially in activities enjoyed by others.

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### *Addressing the problem of low pay*

4.80 The Australian Liquor, Hospitality and Miscellaneous Workers Union (LHMU) argued that the low-wage labour market has emerged through the intersection of two processes, namely:

- the precarious organisation of much service work, with short and inadequate hours, casual work, 'casualised' part-time work, short job tenure, contracting and undervalued, insecure employment; and
- the restructuring of the industrial framework to benefit enterprise and 'individual' bargaining over industry standards, with a diminished 'safety net' of low wages.<sup>62</sup>

4.81 The LHMU added that the low-paid labour market is characterised by the interlocking dynamics of low pay – low hourly rates of pay and fragmented work experiences that provide inadequate, insecure levels of employment. In the low-paid labour market, many workers who may receive reasonable hourly rates of pay are nonetheless unable to secure adequate weekly or yearly work to constitute a liveable wage. The union noted that the consequences of an entrenched low-paid labour market 'go beyond employment. These consequences include poverty, inequality and disadvantage'.<sup>63</sup>

4.82 As discussed in chapter 3, poverty is increasingly associated with low pay. The LHMU stated that, in fact, the low-paid and the jobless poor are often the same people at different stages in their lives, 'churning' through a series of poorly paid jobs and spells of unemployment. In addition, thousands of poor individuals, including children, rely on the precarious incomes of low-paid workers.<sup>64</sup>

4.83 During the inquiry a number of options were suggested to address the problem of low paid workers. These issues are discussed below.

#### *Raising minimum wages*

4.84 A number of organisations, including the LHMU, argued that there was a need to raise minimum wages for low paid workers. The union argued that:

Achieving fair wages in our society in part depends on our ability to raise wages at the bottom of the labour market. We must ensure that low-paid workers enjoy the gains of the labour market as a whole.<sup>65</sup>

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62 *Submission 120*, pp.i, 6-16 (LHMU); *Committee Hansard 26.5.03*, pp.315-17 (LHMU).

63 *Submission 120*, p.ii (LHMU).

64 *Submission 120*, pp.ii, 19-20 (LHMU).

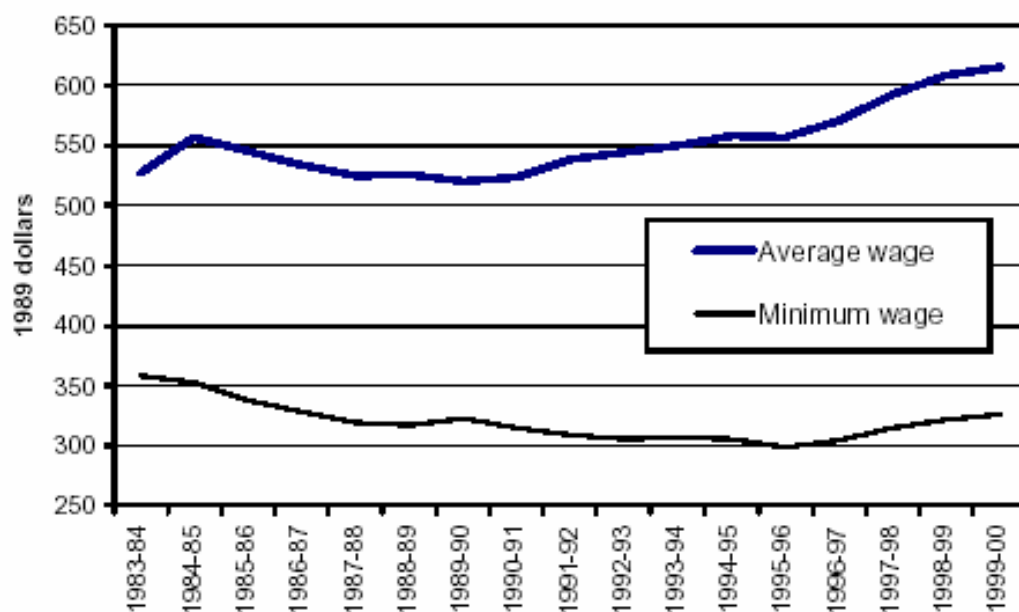
65 *Submission 120*, p.26 (LHMU).

4.85 In order to raise minimum wages the LHMU argued that it would be necessary to establish an adequate income benchmark. The LHMU pointed to research conducted by the Social Policy Research Centre which calculated a 'modest but adequate' benchmark for a range of household types to achieve an adequate standard of living relative to contemporary community standards. Australia has not had a minimum wage calculated on an analysis of household budgets since the Basic Wage, derived from the original *Harvester* judgement, was abandoned in 1967.<sup>66</sup>

4.86 ACOSS argued that the Australian Industrial Relations Commission should establish a new minimum wage benchmark based on a wage level that enables a single full-time worker to live in 'modest comfort' and to participate in contemporary society. This should be set well above the poverty income level for a single adult.<sup>67</sup>

4.87 Minimum full-time wages have fallen well behind average wages over the last 20 years, especially in the early years of the shift towards enterprise bargaining, before the present round of 'Living wage' cases was instituted in 1996. The minimum wage has now fallen to just 50 per cent of average earnings, a reduction of 15 per cent since 1983.<sup>68</sup>

**Figure 4.2: Real average and minimum wages – 1983-1999**



Source: *Submission 163*, p.117 (ACOSS).

66 *Submission 120*, p.26 (LHMU).

67 *Submission 163*, p.118 (ACOSS).

68 *Submission 163*, pp.117-18 (ACOSS).



4.88 The ACTU also stated that there has been an ongoing decline in the relative value of the Federal minimum wage over the course of the last decade, and particularly since 1996. The ACTU added that:

...the minimum rates adjustment process...concluded some time round the early nineties, depending on which awards and classifications you are talking about. Since that time, there has been an ongoing decline. An indicator of that is that the federal minimum wage is now, for the first time, worth less than half of average earnings. It has dropped to 49.9 per cent of average earnings.<sup>69</sup>

4.89 There is continuing debate over whether higher minimum wages lead to higher unemployment. The empirical evidence as to whether low paid workers are priced out of the labour market due to higher minimum wages is equivocal. An OECD study concluded that higher minimum wages are not a major cost on jobs, at least in the case of adults but they do seem to have more of an impact on youth employment. Other studies have reported that there is no clear evidence either way that higher minimum wages affect employment levels.<sup>70</sup>

## **Recommendation 6**

**4.90 That the Australian Industrial Relations Commission establish a new minimum wage benchmark based on a wage level that enables a single full-time worker to achieve an adequate standard of living relative to contemporary community standards.**

4.91 The Committee believes that the establishment of a new minimum wage benchmark is the foundation of a strong award system. It is essential that a new benchmark be established on top of which relativities/margins are calculated.

4.92 The LHMU also argued that once a fair benchmark for minimum wages is established, the wages of the lowest paid workers should be linked with wages growth in the rest of the labour market. In addition, the LHMU argued that there should be a new commitment to restrain the excessive wages of the highest paid executives and managers – 'it is unjust that only the wages of the lowest-paid workers are subject to community scrutiny and wage restraint'.<sup>71</sup>

### *Tax credits*

4.93 Some submissions argued for the introduction of tax credits to address the issue of low wage work. Catholic Welfare Australia pointed to the UK Working Families

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69 *Committee Hansard* 30.4.03, p.99 (ACTU). See also *Committee Hansard* 26.5.03, p.319 (LHMU); 29.4.03, p.9 (LHMU - SA).

70 Eardley study, p.33; *Submission* 120, p.26 (LHMU).

71 *Submission* 120, p.28 (LHMU).

Tax Credit Scheme (WFTC) and the US Earned Income Tax Credit (EITC) Scheme as possible models that could be adapted to Australian conditions. The EITC and WFTC provide tax refunds to low income families that derive their income primarily from wages, rather than welfare. As household income increases from employment, the tax credit is reduced. Catholic Welfare Australia argued that tax credit schemes would reduce the effect of high effective marginal tax rates on low income households.<sup>72</sup>

4.94 The BSL noted that while tax credit schemes have some merit, they have significant limitations. The BSL submitted that:

An EITC would effectively mean that government replaced regulation with business welfare as a means of protecting low-paid workers. It would also provide a subsidy regardless of employers' capacity to pay better wages, and possibly result in a longer term effect on employer expectations, with government seen to have primary responsibility for the adequacy of workers' incomes.<sup>73</sup>

4.95 The LHMU was opposed to the use of targeted tax credits to raise the incomes of low-paid workers, arguing that 'such measures respond to the failure of the industrial system to produce adequate incomes by shifting the responsibility for pay from firms to the government'.<sup>74</sup> The union argued that tax credits contribute to the expansion and entrenchment of the low-wage labour market – 'the answer is not to ask the social security system to accommodate the failure of the industrial framework to deliver fair pay, but rather to reimagine how we can provide decent work with fair wages and adequate, secure employment'.<sup>75</sup> The LHMU argued that a system of tax credits entrenches low-paid work by artificially suppressing wages – employers no longer have to provide a liveable wage to attract potential employees, because the government makes up the difference in the pay rates.

4.96 The Committee does not favour the introduction of tax credits to address the issue of low paid employment. Such measures provide a subsidy to low-wage employers and are likely to expand the pool of low-wage jobs. It is essential that low paid workers not become entrenched in a low-wage labour market. The Committee considers that it is the role of the industrial relations system to ensure an adequate wage for employees and not shift the responsibility to government. As noted above, the Committee favours an approach that will raise minimum wages. Pay rates are, however, only one of the dynamics driving low pay. Issues surrounding the precariousness of work that many low-paid employees face also need to be addressed.

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72 *Submission* 148, pp.18-20 (Catholic Welfare Australia) and Supplementary Information, 10.10.03, pp.1-9; *Committee Hansard* 20.6.03, pp.714-716 (Catholic Welfare Australia).

73 *Submission* 98, p.14 (BSL).

74 *Submission* 120, p.25 (LHMU).

75 *Submission* 120, p.24 (LHMU).

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*Precariousness of work*

4.97 The LHMU and other unions argued that mechanisms need to be developed to address the precariousness of work for those in low paid occupations to ensure adequate, secure employment conditions. Concerns raised included:

- the increase in short hour jobs;
- increased casualisation;
- wages and conditions in the personal services sector; and
- the problems of contract labour.

4.98 The LHMU argued that action needed to be taken to address the problem of the proliferation of short hour jobs. The union stated that thousands of its members and other low-paid service employees work short hours due to the organisational structure of particular industries. The LHMU stated that:

At present, employers can offer workers short and variable hours without redress. They can choose to employ any proportion of their staff as casuals and without any job security, without certainty of hours and therefore pay, and without leave entitlements.<sup>76</sup>

4.99 The LHMU told the Committee that it is addressing the issue of short hour jobs by seeking to increase minimum starts. The union added that:

One of the ways we can do that in the area of award regulation is minimum starts. At the moment in the cleaning industry, for example, most of the awards provide for a two-hour minimum start; that is to say the shortest period that you can actually work is two hours. In our view that is inadequate...So we are campaigning around increasing those minimum starts.<sup>77</sup>

4.100 The LHMU argued that working conditions in these industries must include a workable floor on the minimum hours which workers are offered by employers.

4.101 Submissions also argued that there needs to be greater employment security through reduced casualisation. The LHMU noted that at present employers can transform secure, permanent employment into casual work with almost no redress. Some 30 per cent of working Australians are casuals and in some industries, such as the hospitality sector, the proportion is double this figure – 'limiting casualisation must

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76 *Submission* 120, p.29 (LHMU). See also *Committee Hansard* 30.4.03, p.109 (SDA); 28.7.03, p.1045 (LHMU).

77 *Committee Hansard* 26.5.03, p.322 (LHMU).

be a priority within any effort to provide decent work in this country'.<sup>78</sup> This issue is discussed later in the chapter.

4.102 In addition, the LHMU argued that it was important to ensure that employers who receive Government funding to deliver personal services, such as in the aged care sector, pay adequate wages in order to reduce staff turnover and provide for continuity of care. The union argued that at present, both public and non-profit providers can use Government funds to employ care workers in sub-standard conditions. The union suggested that there was a need to attach wage and condition standards to public funds used for care and support work.<sup>79</sup>

### ***Conclusion***

4.103 The evidence received during the inquiry has raised a number of important and complex issues relating to low paid employment. The Committee believes that the issues raised warrant an inquiry by the Commonwealth Government to fully address the concerns raised. The Committee notes that the LHMU argued that there was a need for an inquiry into the question of low pay – 'and that is something that we intend to address over the next couple of months in the lead up to the ACTU congress and the next [national wage] case'.<sup>80</sup> Catholic Welfare Australia also called for an inquiry into low-paid employment.<sup>81</sup>

### **Recommendation 7**

**4.104 That the Commonwealth Government conduct an inquiry into low-paid employment and that this inquiry examine:**

- **the nature and extent of low-paid employment in Australia;**
- **the introduction of a workable floor in relation to the minimum hours of work offered by employers;**
- **the problem of casualisation and employment security;**
- **the feasibility of attaching standards in relation to wages and conditions to Government funding of services; and**
- **the wages and conditions pertaining to contract labour.**

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78 *Submission* 120, p.30 (LHMU). See also *Committee Hansard* 28.7.03, p.1045 (LHMU); 26.5.03, p.302 (AMWU).

79 *Submission* 120, pp.29-30 (LHMU).

80 *Committee Hansard* 26.5.03, p.317 (LHMU).

81 *Submission* 148, p.27 (Catholic Welfare Australia).

## Casualisation

4.105 Evidence to the inquiry, as noted previously, commented on the trend towards increasing 'casualisation' of the workforce and the use of 'labour-hire' employees and the adverse implications these developments are having on the pay and working conditions of workers.<sup>82</sup>

4.106 There has been a marked increase in casual employment, especially over the last decade. Between August 1988 and 2002 total employment of casual workers in Australia increased by 87.4 per cent (141.6 per cent for men and 56.8 per cent for women). By August 2002 casual workers comprised 27.3 per cent of all employees, an increase of 7 percentage points since August 1991.<sup>83</sup>

4.107 This form of employment has been most often associated with teenage and female labour markets, however, the increase in casual employment during the 1990s was due to the rapid growth in this form of employment among all types of workers, especially among males and young adults. While levels of casualisation increased for all age groups they have been most pronounced for younger workers aged 15 to 24 years.<sup>84</sup>

4.108 There is no standard number of working hours that defines a casual worker. Consequently, casual workers can be employed on either a full-time or part-time basis. Casual employment is most prevalent in the part-time labour market, accounting for 73.6 per cent of all male part-time jobs and 55.3 per cent of all female part-time jobs. By August 2002, casual part-time employment as a proportion of total employment was equal to 18 per cent. Permanent full-time employment accounted for 61 per cent of total employment – 6.9 percentage points lower than the corresponding share in 1994.<sup>85</sup>

4.109 The main difference, at common law, between a permanent and a casual worker is that a permanent employee has an ongoing contract of employment of unspecified duration while a casual employee does not. The main characteristics of casual employment that flow from this are:

- limited entitlements to benefits generally associated with continuity of employment such as annual leave and sick leave; and

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82 *Committee Hansard* 26.5.03, pp.302-303 (AMWU); 2.7.03, pp.957-60 (LHMU).

83 ABS, *Employee Earnings, Benefits and Trade Union Membership*, Cat. No. 6310.0. The ABS defines 'casual employment' as employment without paid sick or holiday leave entitlements.

84 Watson I, *et.al.*, *Fragmented Futures: New Challenges in Working Life*, Federation Press, 2003, p.67.

85 ABS, *Employee Earnings, Benefits and Trade Union Membership*, Cat.No. No.6310.0.

- no entitlement to prior notification of retrenchment (no security of employment) and only a limited case for compensation or reinstatement.<sup>86</sup>

4.110 Most casual workers are concentrated in a few occupations, and these tend to be relatively low skilled – the retail trade, hospitality, property and business services, and health and community services. Other industries, such as manufacturing, construction and education also have sizeable concentrations of casual workers.

4.111 Casual employees do not necessarily have only a short term employment relationship with their employer – many remain with their employer for a considerable length of time. ABS data for 2001 indicate that 54.4 per cent of casual employees had been in their jobs for a year or more.<sup>87</sup>

4.112 Evidence commented on the insecure and irregular nature of this type of employment and its lack of 'job quality'. Submissions and other evidence indicated that, in comparison with permanent workers, casual workers:

- have less job security;
- are less likely to have set hours on a weekly, fortnightly or monthly basis;
- have less say in start and finishing times;
- work less hours per week;
- are more likely to be on-call or stand-by;
- are less likely to be covered by workers compensation insurance;
- have very low rates of union membership;
- are less likely to receive training, particularly formal training;
- are more likely to be paid by a labour hire firm;
- earn considerably less than permanent employees;
- contain a large proportion of workers wanting more hours or set hours;
- are likely to have no guarantee for the number of hours they work; and
- are more likely to have variable earnings.<sup>88</sup>

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86 Parliamentary Library, *Casual Employment*, August 1999, p.1.

87 ABS, *Forms of Employment*, Cat. No 6359.0. See also *Fragmented Futures*, p.69.

88 *Submission 156*, p.7 (AMWU); *Committee Hansard 26.5.03*, pp.302-303 (AMWU); 2.7.03, 30.4.03, p.101 (ACTU); pp.957, 960 (LHMU); 30.4.03, p.54 (Jesuit Social Services).

4.113 Evidence highlighted the 'poverty dimension' of casual employment, noting that these jobs are most often low paid. The ACTU noted that 'most casual jobs are part time. Most part-time jobs are casual. There is obviously a proportion in either case that are not... [however]...most casual jobs are low paid...It is unlikely that there are many people out there who really want to work in a low-paid job with a low number of hours'.<sup>89</sup> The ACTU further submitted that:

You cannot think it [casualisation] is a good thing if you are a student and have to work three or four casual jobs to survive through TAFE or university. You cannot think it is a good thing if the only jobs you can get are casual and do not pay enough to feed your family and pay the rent.<sup>90</sup>

4.114 The LHMU stated that 'workers want real jobs with some certainty of hours to provide an income they can live on without the need to rely on the welfare system'.<sup>91</sup> The BSL noted that while casual work may enable some unemployed people to gain work experience and gain full-time work, the reality for many casual workers is a series of short-term casual jobs interspersed with periods of unemployment – a trend that appears to be growing.<sup>92</sup>

4.115 The growth in the casual workforce is due to a number of factors. Some workers are attracted because of the loading that is sometimes offered in lieu of paid leave and other entitlements. For other employees it allows flexibility by, for example, allowing people to combine paid work with family responsibilities, study or other interests. Alternatively, it offers a means to 'ease out' of the labour force if nearing retirement; or to supplement family income. One study noted, however, that it is the preference of employers, not workers, which has driven the trend towards increasing casualisation.

The growth of casual employment has had little to do with increased turbulence in the labour market, or rising worker preferences for this form of employment. The driving force has been the changing employer strategies for utilising labour. Under the impact of increased competition in their product markets, employers have increasingly sought greater flexibility in hiring and deploying labour than prevailed in the era of labour "hoarding". In some cases, engaging workers through non-standard forms of employment has allowed employers to minimise their obligations to their workers, but more often it has been the pursuit of cost savings which has shaped their decisions.<sup>93</sup>

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89 *Committee Hansard* 30.4.03, p.102 (ACTU).

90 *Committee Hansard* 30.4.03, p.101 (ACTU).

91 *Committee Hansard* 2.7.03, p.957 (LHMU).

92 *Submission* 98, pp. 10-11 (BSL).

93 *Fragmented Futures*, p.69.

4.116 The Australian Manufacturing Workers' Union (AMWU) also argued that casual work is less likely to be regulated than continuous employment thus making it more attractive for employers to hire staff on a temporary basis. Temporary contracts are less costly (non-wage benefits do not always apply and dismissal can be achieved without severance payments) and they allow firms to exercise much greater flexibility in hiring and firing staff.<sup>94</sup> The union emphasised that the:

Increase in casualisation and labour hire arrangements are not about peaks and troughs, they are not about quality management: they are about cheap labour and exploitation, and it is becoming the norm.<sup>95</sup>

4.117 Evidence indicates that casual work is *not* the preferred work outcome for many workers. ABS data for 2000 on the preferred working patterns of 'self-identified' casual workers revealed that only one in five (22.8 per cent) want to work on a casual basis. Some 67.8 per cent indicated a preference for 'predictable patterns of work'.<sup>96</sup> Other ABS data for 2001 found that just over one-third (35 per cent) of part-time employees preferred to work more hours. The preference to work more hours increased to 43 per cent for part-time self-identified casuals.<sup>97</sup> While for some people, such as young people in education and women with family responsibilities, casual work may be preferred, for others, such as the previously unemployed, older males seeking full-time work and those with limited training and work experience, casual work is often the only alternative available to unemployment when no permanent jobs are available.<sup>98</sup> Even for younger workers a perceived 'preference' for casual work is often argued mainly on the basis that a casual job is better than no job at all.<sup>99</sup>

4.118 A number of developments since 2000 have seen some improvement in the employment conditions of casual workers. These include:

- a number of unions have won an award right for casual workers to convert to permanent employment after a specified period of employment, subject to various conditions. The qualifying periods vary and include 6 months in the case of the *Metal Industry Award* and 12 months in the *Hotels Award*.
- the ACTU achieved unpaid parental leave for regular casuals with 12 months employment.

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94 *Submission* 156, p.9 (AMWU).

95 *Committee Hansard* 6.5.03, p.303 (AMWU).

96 Cited in *Fragmented Futures*, p.67.

97 ABS, *Forms of Employment*, Cat. No.6359.0. See also *Submission* 94, Supplementary Information, 1.5.03 (ACTU).

98 Parliamentary Library, p.3; *Submission* 156, p.8 (AMWU).

99 *Submission* 156, p.8 (AMWU).



- the AMWU achieved three hour minimum engagement for part time workers and a four hour minimum engagement for casuals in the *Metal Industry Award*, and an increase in the casual loading from 20 to 25 per cent.<sup>100</sup>

4.119 Evidence indicated the need for further improvements in the employment conditions of casual workers. The ACTU argued that, in relation to casual and part-time workers, a maximum engagement period should apply and a right to convert to permanent employment. These workers should also have access to leave entitlements; minimum and maximum hours of work; and improved loadings.<sup>101</sup>

4.120 The BSL also argued that legislation should be introduced to ensure equal rights to standard entitlements, such as annual leave, sick leave, maternity leave, long service leave and superannuation, regardless of employment status; and the portability of entitlements should be improved.<sup>102</sup>

### **Conclusion**

4.121 The Committee believes that the employment conditions for casual workers need to be substantially improved. To this end the Committee considers that the *Workplace Relations Act 1996* should be amended to provide definitions of 'full-time' and 'permanent part-time' work. This would enable casual workers to convert to permanent part-time work and ensure that they have access to entitlements such as holiday leave and sick leave. Evidence to the Committee indicated that many casual workers would like to convert to permanent part-time work but are currently prevented from doing so. The amendment to the Workplace Relations Act would allow the Industrial Relations Commission to make awards which would allow casuals to do that. The Committee envisages that these changes would not affect genuine seasonal casual workers but is intended to apply only to those casual workers who have regular patterns of part-time work. It is also envisaged that while casuals converting to permanent part-time work would be eligible for sick leave and holiday pay they would not be entitled to the casual wage loading.

### **Recommendation 8**

**4.122 That the *Workplace Relations Act 1996* be amended to provide definitions of 'full-time' and 'permanent part-time' work.**

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100 [www.actu.asn.au](http://www.actu.asn.au)

101 [www.actu.asn.au](http://www.actu.asn.au)

102 *Submission 98*, p.viii (BSL).

## Recommendation 9

**4.123 That the Commonwealth legislate to guarantee the right to standard entitlements, such as annual leave and sick leave, for casual workers converting to permanent part-time work.**

### Labour-hire

4.124 The increase in casualisation of the workforce has been mirrored by the increase of 'labour-hire' employees, especially over the last decade. The ABS estimated that in November 2001 (the latest statistics available) there were 161 800 who were 'paid by an employment agency/labour-hire firm'.<sup>103</sup> Only a small minority of these workers have any entitlement to paid sick leave or paid annual leave. Over three quarters of these workers are casuals. About 6 per cent of all casual workers are organised through labour hire arrangements.<sup>104</sup> The AMWU noted that labour hire workers now represent 19 per cent of the manufacturing industry workforce – 'that is nearly one in five manufacturing workers having no employment relationship with the person directing their work'.<sup>105</sup>

4.125 An increasing number of firms are using labour-hire workers. In 1990 the proportion of workplaces making use of these workers was 14 per cent – by 1995 this had increased to 21 per cent. The use of labour-hire employment is growing most rapidly in large workplaces. In workplaces with 500 or more employees, the proportion of agency workers grew from 16 per cent to 55 per cent between 1990 and 1995, an increase of 39 per percentage points. In smaller workplaces, of under 500 employees, the numbers increased from 14 per cent to 42 per cent, an increase of 28 per percentage points. The labour-hire approach is also becoming more widespread across many sectors of the economy. Traditionally, temporary employment agencies have been concentrated in the clerical labour market, whereas today they are found in sectors as diverse as metal and engineering, fruit picking, nursing and routine clerical work (not simply overflow clerical work).<sup>106</sup>

4.126 The growth of labour-hire is posing increasing problems in the areas of labour law and industrial relations, especially arising out of the nature of labour-hire arrangements – particularly the fact that workers are paid by one employer but work for another – 'confusion over lines of responsibility in exercising the employer role are

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103 ABS, *Forms of Employment*, Cat. No.6359.0. Another ABS survey, *Employment Services*, Cat. No.8558.0 estimated that there were 290 115 labour hire employees in 2001-02 (this survey counts jobs so would have double counted any persons employed by more than one labour hire company, whereas the former survey counts persons).

104 *Fragmented Futures*, p.73. See also *Submission 156*, pp.9-10 (AMWU).

105 *Committee Hansard 26.5.03*, p.302 (AMWU).

106 *Fragmented Futures*, pp.73-74.

evident, with serious consequences for worker conditions and entitlements'.<sup>107</sup> These workers lack any effective bargaining power over wages and conditions.

4.127 The growth of labour-hire arrangements has also led to a decline in wages and working conditions. The AMWU noted that labour-hire workers engaged as casuals by a labour hire agency or providing 'contract services' to the agency have employment conditions characterised by 'insecurity, precariousness, no career path, low or below award pay and substandard conditions'.<sup>108</sup> The union noted that:

Labour hire is proliferating, not as a short-term solution to meet seasonal demands and flexibility of requirements, but as an alternative to the employer/employee relationship, around which our award safety net of minimum wages and conditions is structured...As the level of precariousness attached to a job increases, there is a proportional decline in job quality and reward. Research and experiences of casual labour hire workers have identified the features attached to casual work. These traits, combined with employer practice, combine to drive down wages and conditions.<sup>109</sup>

4.128 The union argued that examples of the exploitation of labour-hire workers abound. The union cited the case of a large optical lens manufacturer in NSW.

This company employs more than 70 staff, of whom just 11 were permanent employees...most of the labour hire employees had worked for the company for at least 12 months. Many had worked there for more than 2 years. These workers are highly skilled yet as labour hire employees, they were forced to forgo holidays, sick leave and other normal arrangements that apply to workers... [the workers] were paid substantially less than the permanent workers and worked longer hours.<sup>110</sup>

4.129 The AMWU argued that labour-hire workers should be entitled to the same rights and conditions enjoyed by other workers – 'the families of labour hire workers have the same rights to financial security as the families of other workers'.<sup>111</sup> The ACTU also argued that labour-hire workers should have the right to receive the same pay and conditions as directly employed workers in an enterprise and there is a need

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107 *Fragmented Futures*, p.72.

108 *Submission 156*, p.10 (AMWU). See also *Committee Hansard* 4.8.03, p.1149 (LHMU-Queensland Branch).

109 *Committee Hansard* 26.5.03, pp.302-03 (AMWU).

110 *Submission 156*, p.10 (AMWU).

111 *Submission 156*, p.10 (AMWU).

for legislative change to protect the employment conditions and job security of these workers.<sup>112</sup>

4.130 The LHMU argued that there was a need to compel employers who contract out labour services to be legally responsible for the wages, conditions, and entitlements of contract workers. At present, employers can contract out responsibility for the wages and conditions of workers such as cleaners and security guards who perform work at their establishments.

4.131 The LHMU stated that:

...in recent times there has been more of a tendency of those companies [in cleaning, security etc.] to try to use variations on employment structures to avoid awards, whether they be subcontracting arrangements, franchising or whatever...it is part of the general problem of the more precarious employment and there have not been the mechanisms, particularly within the commission, to regulate those changes in employment relationships.<sup>113</sup>

4.132 The AMWU stated that casual workers, and in particular casuals sourced through labour hire, are more likely than permanent workers:

- to be paid at the minimum award rate rather than the enterprise rate paid to permanent workers;
- to be paid at the lowest classification or skill level even though they are equally qualified and perform work of equal value alongside permanent employees paid at the appropriate higher paid classification;
- are denied access to training and advancement through skill based award classification structures;
- are denied opportunities to increase their earnings through overtime as permanent workers are given preference; and
- are less likely to receive appropriate allowances.<sup>114</sup>

## **Recommendation 10**

**4.133 That the Commonwealth legislate to guarantee the right to standard entitlements, such as annual leave and sick leave, for labour hire workers.**

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112 [www.actu.asn.au](http://www.actu.asn.au)

113 *Committee Hansard* 26.5.03, p.320 (LHMU). See also *Submission* 156, pp.9-11 (AMWU).

114 *Committee Hansard* 26.5.03, p.303 (AMWU).

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## Changing industrial relations environment

4.134 Evidence to the inquiry commented on the impact of changing industrial conditions on the availability, quality and reward for work in Australia.

4.135 Australian labour market and industrial relations policy is shaped predominantly at the federal level. The centrepiece of the Government's industrial relations policy is the *Workplace Relations Act 1996*, which was intended to reduce the role of tribunals and unions in the bargaining process, and subject labour to market forces in determining wages and conditions.

4.136 Submissions and other evidence to the inquiry noted the negative impact of the Workplace Relations Act, including:

- growing inequality between those covered by enterprise or individual bargaining versus those reliant on awards;
- narrowed award coverage, with a failure to provide adequate basic protection for casual and award-free employees, dependent contractors and other workers in non-standard employment;
- failure to legislate for minimum conditions of employment for all employees;
- an award system that is becoming increasingly irrelevant and outdated as a consequence of the AIRC being limited to awarding minimum safety net adjustments targeted at the low paid;
- an inadequate range of collective bargaining arrangements available to employers and employees to meet specific circumstances;
- a bargaining process that is unnecessarily adversarial and where parties are unable to receive assistance from the AIRC when negotiations break down; and
- a severely restricted AIRC, with limited powers to set fair and reasonable wages and conditions.<sup>115</sup>

4.137 The BSL stated that deregulation within the context of decentralised bargaining has focused not so much on reducing the level of regulation, as on changing the way in which the labour market is regulated. The aim has been to remove regulations that provide external protection for employees, in favour of systems of internal regulation which promote bargaining between employer and employee directly, leading to a shift in the balance of power to management. There has been a continuing decline in the

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115 *Submissions* 129, p.14 (Queensland Government); 150, pp.10-15 (TWU); 156, pp.11-13 (AMWU).

numbers covered by the award system, which now includes less than 25 per cent of employees, compared with 68 per cent ten years ago.<sup>116</sup>

4.138 The LHMU stated that:

The current industrial framework limits the gains in wages and conditions that can be made through the award system, and instead encourages workers to engage in enterprise or "individual" bargaining. The framework encourages bargaining irrespective of the specificity of work and the levels of bargaining power that accompany different forms of work organisation.<sup>117</sup>

4.139 Similarly, the AMWU argued that:

The Government's response to increasing precariousness and insecurity amongst Australian workers has been to minimise the effectiveness of Industrial Awards, promote enterprise and individual agreement making and seek to limit union activities. The promotion of enterprise bargaining occurs in a policy vacuum devoid of recognition of the issues faced by precarious workers.<sup>118</sup>

4.140 The major effect of this changed industrial relations environment has been the redistribution of the benefits of work. Submissions noted that the main beneficiaries have been business, through increasing profit margins from improvements in productivity, and upper income earners with the market power to negotiate favourable conditions. Low skilled, part-time and casual employees have become increasingly vulnerable to low wages and inferior employment-related conditions, such as lack of access to leave entitlements. A study of minimum pay rates in Victoria during the Kennett era highlighted the adverse effects of deregulating the industrial relations system. The findings showed that, compared to workplaces under federal jurisdiction those workplaces which were subject to the old State industrial relations system had more unequal minimum pay rates and lower employment benefits. The study suggested that labour market deregulation contributes to earnings inequality and that it also weakens the situation of workers who are already structurally disadvantaged in the labour market.<sup>119</sup>

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116 *Submission 98*, pp.12-13 (BSL). See also Watts M, 'Wages and wage determination in 2001', *Journal of Industrial Relations*, vol.44, no. 2, June 2002, pp.228-44.

117 *Submission 120*, p.11 (LHMU).

118 *Submission 156*, p.11 (AMWU). See also *Committee Hansard 26.5.03*, pp.305-06 (AMWU).

119 The group subject to the State industrial relations system were termed 'Schedule 1A' workers – they were subject to a very minimalist form of protective regulation, prescribed in a set of legislative minimum conditions and by the internal regulations operating within enterprises. See Watson I, 'Kennett's industrial relations legacy: impact of deregulation on minimum pay rates in Victoria', *Journal of Industrial Relations*, vol.43, no.3, September 2001, pp.294-306.

4.141 There is evidence that wage dispersion has increased significantly since the take-up of enterprise bargaining. The ACTU noted that over the period from 1990 to 2000, while there were dramatic real increases in weekly earnings for managers and administrators (41.5 per cent over the period), a range of occupational categories, including clerical, sales and service workers suffered real earnings declines over the same period.<sup>120</sup> One study noted that earnings inequality is particularly marked within the male labour market. By 1998, low paid male adults earned 62 per cent of male adult median earnings, a fall of 5 percentage points since 1991.<sup>121</sup>

4.142 Submissions noted that for workers who are already in vulnerable labour market circumstances, the impact of labour market deregulation is likely to compound their disadvantage.<sup>122</sup> One study noted that:

For those groups in the labour force whom market forces have always treated favourably, the impact of "deregulation" was minimal....On the other hand, in those industries which have traditionally exposed workers to more adverse conditions and paid lower wages – such as agriculture and hospitality – [these] workplaces paid very low minimum rates and provided very little in the way of benefits...The critics of labour market "deregulation" have always contended that those who are industrially weak will be the main victims of any changes which weaken external regulation and this study...appears to confirm those fears.<sup>123</sup>

4.143 The picture that emerges is of an economy leaving behind the low-skilled and less talented jobseekers, resulting in greater polarisation of income and employment outcomes. Australia is moving towards a core/periphery labour market model with a large group of the workforce permanently excluded from, or only marginally attached, to the labour force and at high risk of experiencing financial hardship. The legislative changes that have occurred since the early 1990s appear to have directly contributed to this situation.<sup>124</sup>

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120 *Submission 94*, p.9 and *Committee Hansard 30.4.03*, p.96 (ACTU); *Submission 98*, p.13 (BSL).

121 Preston, p.174.

122 *Submissions 150*, pp.10-11 (TWU); *156*, pp.11-12 (AMWU).

123 Watson, p.306.

124 *Submissions 98*, p.13 (BSL); *50*, pp.4-7 (SDA).





## CHAPTER 5

### INCOME SUPPORT

*The adequacy of social security payments is the most important direct influence on poverty levels. In this way gaps and anomalies in the social security system continue to be a major contributor to poverty and hardship in Australia.<sup>1</sup>*

5.1 Australia's social security system plays an important role in ensuring that Australians without adequate income from employment or other sources are able to afford the basics of life – food, clothing and housing. The social security system is designed to address the objective of the alleviation of poverty and hardship, in contrast to many overseas countries – based on the social insurance model – which are more geared to the aim of earnings replacement. This inquiry has highlighted that, nevertheless, for many people the assistance provided by the income security system is barely adequate to ensure a reasonable standard of living and that serious gaps persist that need to be addressed.

#### **Income support arrangements**

5.2 Australia's income support system is categorical in its structure, that is, it consists of quite distinct programs with specific eligibility directed at particular groups in the community, the main categories being: unemployed people, older people without jobs, the aged, people with disabilities, parents with primary care responsibilities, people with short-term illness and students.

5.3 The social security system distinguishes between pensions (such as the Age Pension and Disability Support Pension), which have traditionally been assumed to last for an extended period of time, and allowances (such as Newstart Allowance for jobseekers), which have been seen as short-term payments. Pensions are paid at a higher rate than allowances. In addition, many recipients receive allowances for rent and other costs as well as financial support for children.

5.4 Pensions are adjusted in line with movements in the Consumer Price Index (CPI) twice a year but are 'topped up' to maintain the maximum rate of pension at a level of at least 25 per cent of Male Total Average Weekly Earnings (MTAWE). Allowances are adjusted in line with movements in the CPI. As average weekly earnings have been rising faster than the CPI in recent years, increases in allowances have not kept pace with pension increases. Table 5.1 summarises the major social security payments and their eligibility criteria.

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1 *Submission 163*, p.124 (ACOSS).

**Table 5.1: Main Income Support Payments and Allowances**

<b>Payment</b>	<b>Eligibility</b>	<b>Recipients as at June 2003</b>
<i>Income support payments</i>		
Age Pension	Men aged over 65 and women aged over 62, subject to residency, income and assets tests.	1,854,012
Parenting Payment	Carers of children under 16 years, primarily in single income families (including sole parent families) with low income. Parenting Payment Single is paid according to pension rates and conditions; Parenting Payment Partnered is an allowance.	Parenting Payment (Single) 436,958 Parenting Payment (Partnered) 181,405
Newstart Allowance	Unemployed persons aged over 21 and actively looking for work.	521,677
Disability Support Pension	People with a physical, intellectual or psychiatric impairment that prevents them from working full-time (30 hours per week) for the next two years.	673,334
Carer Payment	People who provide full-time care to someone with a severe physical, intellectual or psychiatric disability who is expected to require this care for at least 6 months. Paid under pension conditions.	75,937
Youth Allowance	Full-time students under 25 and unemployed people aged 16-20 years. Income tested on both individual and parental income.	400,980
Sickness Allowance	People aged over 21 who are temporarily unable to work or study because of illness, injury or disability.	8,927
Austudy	Students aged 25 years and over; paid as an allowance.	39,092
Special Benefit	People ineligible for other assistance and in severe financial need due to circumstances beyond their control. Paid as an allowance.	12,228
Widow Allowance	Women aged over 50 who become widowed, divorced or separated and have no recent workforce experience.	43,209
<i>Other payments</i>		
Family Tax Benefit (A)	Families with children under 16 or full-time dependent students aged 16-24; income tested on family income	1,783,278 families
Family Tax Benefit (B)	Single income families, including sole parent families, especially those families with a child under the age of five (who receive a higher rate of payment). Income tested on second earner's income only in two-parent families.	1,223,560 families
Childcare Benefit	Families using either formal child care or informal (registered) child care. This subsidy either reduces fees at a child care service, or can be paid as a lump sum to parents at the end of the year. Income tested on family income.	517,000 families
Rent Assistance	Pensioners and beneficiaries boarding or renting (excluding public housing)	940,708 (number of persons or couples receiving assistance)

Source: Submission 165, p.36 (FaCS); FaCS, *Annual Report 2002-03*, Vol 2.

5.5 During the inquiry three main aspects of the effectiveness of income support in protecting people from poverty were identified. These were:

- the adequacy of income support payments;
- compliance requirements, especially the level of penalties applied to people who do not meet the conditions of income support; and
- poverty traps – the disincentive effects of the rate at which benefits are withdrawn when a person moves from unemployment to paid employment.

### **Adequacy of income support payments**

5.6 Issues concerning the adequacy of income support payments were raised in evidence. It was argued that for many income support recipients these payments are insufficient to provide an adequate standard of living to meet individual or household needs.

5.7 This section reviews the adequacy of payments and the measures used to determine 'adequacy'; and questions related to the payment structure and level of payment as they apply to social security benefits. The concessions available to income support recipients and the need for a participation allowance are also reviewed.

### ***Payments – how adequate is the 'safety net'?***

5.8 Advocacy groups and evidence from income support recipients commented on the inadequate nature of pensions and allowances. In relation to pensioners and superannuants, the APSF noted that:

However poverty is measured, it is reasonable to assume many people on pensions and superannuants/retirees receiving incomes in the same range as pensions can be defined as living in poverty. Unless they holds assets – such as their own home, or have investments (which would, at any rate, reduce the pension payment) and do not have large expenses going towards health or other essential services, pensioners and superannuants should be considered as living in poverty or, at the very least, vulnerable to poverty.<sup>2</sup>

5.9 COTA National Seniors also stated that:

Older people on full pensions and allowances continue to struggle to make ends meet. People have reported to COTA Seniors Information Services in the last 2-3 years that the GST, increased user pays, removal of some medications from the PBS and pressures on services such as dental care have all played a part.<sup>3</sup>

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2 *Submission 223*, p.3 (APSF).

3 *Submission 184*, p.19 (COTA National Seniors).

## 5.10 Other evidence presented a similar picture of hardship and struggle:

### **Pensions and allowances – just how adequate?**

Many ...talk about the inadequacy of income support payments. Many of us are calling for increases in the basic help that people need. The loss of dignity in having to rely on so many other people because you cannot make ends meet, having to rely on family and community support...the loss of independence and losing control of your life is very real.

*Committee Hansard 2.5.03, p.212 (Tasmanian Catholic Justice & Peace Commission).*

I receive the disability pension and, everything considered, there is not really enough money to be able to get to that very first step. I am referring to rent, furnishings, food, deposits for electricity and gas, bus and train fares, prescriptions and doctors' bills. Simply put, there is just not enough money there.

*Committee Hansard 4.8.03, p.1197 (Mr M Brennan).*

Social security for old age is becoming more and more difficult. To live on 25 per cent of the adult wage at the moment is very difficult.

*Committee Hansard 2.5.03, p.224 (Tasmanian Poverty Coalition).*

5.11 In addition to the individual testimonies from those attempting to live on social security benefits, there are a number of other indicators that can be used to assess the adequacy of income support payments including:

- income based poverty measures;
- budget standards; and
- direct measures of deprivation and hardship.

5.12 Given the complexity and diversity of people's circumstances determining adequacy benchmarks are inherently difficult and it is not realistic to expect to establish a single 'perfect' measure of adequacy.

### ***Income based poverty measures***

5.13 ACOSS and other welfare groups pointed out that social security payments for many households are significantly lower than income poverty benchmarks.<sup>4</sup> ACOSS noted that a simple comparison between the Henderson poverty line and social security payments shows that, in many cases, payments fall short of that benchmark

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4 ACOSS, *Fairness and Flexibility: Reform of Workforce Age Social Security Payments in Australia*, September 2003, pp.40-42. See also Harding A & Szukalska A, *Financial Disadvantage in Australia – 1999*, The Smith Family, 2000, p.5.

especially in the case of single unemployed people or students, and young people living independently of their parents - see Table 5.2.

**Table 5.2: Comparison of Social Security Payments to the Henderson Poverty Line (including housing costs) – \$ per week, September quarter 2002**

Family/Income Unit	Base Rate	FTB A and/or B	Rent Assistance	Total Payment \$ per week	Poverty line \$ per week	Rate as % of poverty line
<i>Head in Workforce</i>						
Single adult unemployed	\$185	N/A	\$45	\$230	\$294	78%
Single, away from home, 18-20 unemployed	\$150	N/A	\$45	\$196	\$294	67%
Couple unemployed – 0 children	\$333	N/A	\$43	\$376	\$393	96%
Sole Parent unemployed – 1 child	\$211	\$101	\$53	\$365	\$378	97%
Sole Parent unemployed – 3 children	\$211	\$228	\$60	\$499	\$536	93%
Couple unemployed – 1 child	\$333	\$63	\$53	\$449	\$473	95%
Couple unemployed – 3 children	\$333	\$190	\$60	\$583	\$632	92%
<i>Head not in Workforce</i>						
Single adult student	\$151	N/A	0	\$151	\$238	63%
Single student, away from home, 18-25	\$151	N/A	\$45	\$196	\$238	82%
Single Age/Disability Pensioner	\$211	N/A	\$45	\$256	\$238	108%
Age/Disability Pensioner couple – 0 children	\$352	N/A	\$43	\$395	\$338	117%
Sole Parent not in labour force – 1 child	\$211	\$101	\$53	\$365	\$322	113%
Sole Parent not in labour force – 3 children	\$211	\$228	\$60	\$499	\$481	104%

Source: ACOSS, *Fairness and Flexibility*, September 2003, p.41.

### **Budget standards**

5.14 Budget standards have also been developed to assess the adequacy of payments. The Social Policy Research Centre (SPRC) has developed 'low cost budgets' based on assessments of the minimum cost of essential budget items. Table 5.3 compares some of the key budget standards with social security payments. As the table shows, all of the payments compared fall below the low cost budget standards. The pattern of risk

in relation to hardship is similar – couples without children do relatively well whereas single people on allowances fare relatively badly

**Table 5.3: Low cost budget standards and social security payments (2002)**

	<b>Low Cost Budget - \$ per week</b>	<b>Unemployment allowance - \$ per week and as a % of Low Cost Budget</b>	<b>Pension - \$ per week and as a % of Low Cost Budget</b>
Single adult	\$341	\$230 (67%)	\$256 (75%)
Couple without children	\$443	\$376 (85%)	\$395 (89%)
Sole parent, two children	\$564	\$428 (76%)	\$428 (76%)
Couple, two children	\$698	\$512 (73%)	\$531 (76%)

*Source:* ACOSS, *Fairness and Flexibility*, p.42. The data are based on SPRC data for 1998 updated to 2002 values.

### ***Hardship measures***

5.15 Other Australian research has compared the circumstances of different low-income groups using direct measures of hardship or financial stress. This data includes:

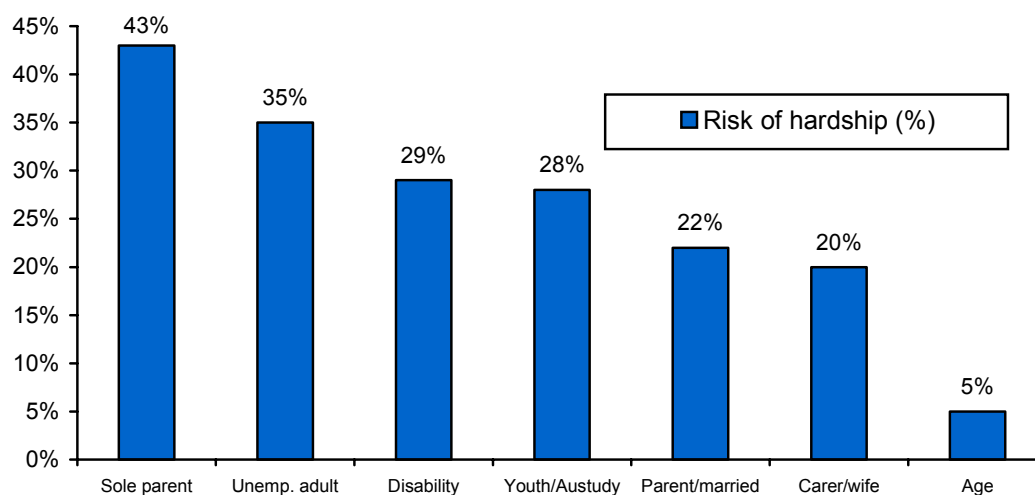
- a study of financial hardship by Bray, based on recent ABS data;
- a study by Travers and Robertson, commissioned by the Department of Social Security in the mid-1990s.
- emergency relief data collected by ACOSS.

5.16 The study by Bray into financial hardship, referred to in chapter 2, found that lower income households experienced a greater degree of hardship than higher income households; households that were mainly dependent on pensions and benefits reported much higher levels of hardship than those that received no government assistance; and jobless households experienced very high levels of hardship compared with households with members in employment.<sup>5</sup>

5.17 Figure 5.1 presents data from the study relating to hardship experienced by households mainly reliant on social security. Risk refers to the proportion of each group experiencing hardship.

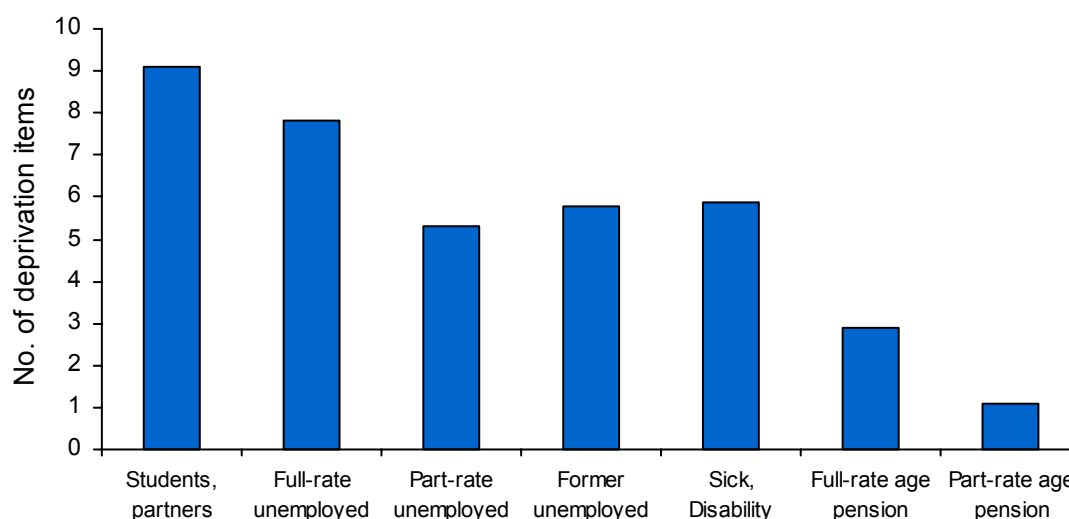
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5 Bray J, 'Hardship in Australia', FaCs Occasional Paper No.4, December 2001, pp.x-xi. 'Hardship' refers to not being able to afford heating and meals as well as having to pawn items or needing to obtain assistance from community organisations.

**Figure 5.1: Risk of hardship by social security payment**

Source: Bray J, *Hardship in Australia*, FaCS Occasional Paper No. 4, 2001, p.42.

5.18 The study by Travers and Robertson compared the living standards of age pensioners, unemployed people, people with disabilities, and students. The study examined deprivation in terms of a range of items, including lack of basics of life, financial strain, income and health. The study found that students, the unemployed and people with disabilities were particularly disadvantaged (see Figure 5.2). The 'former unemployed' also had high deprivation scores, reflecting in part a range of new expenses incurred in the move from unemployment to employment.<sup>6</sup>

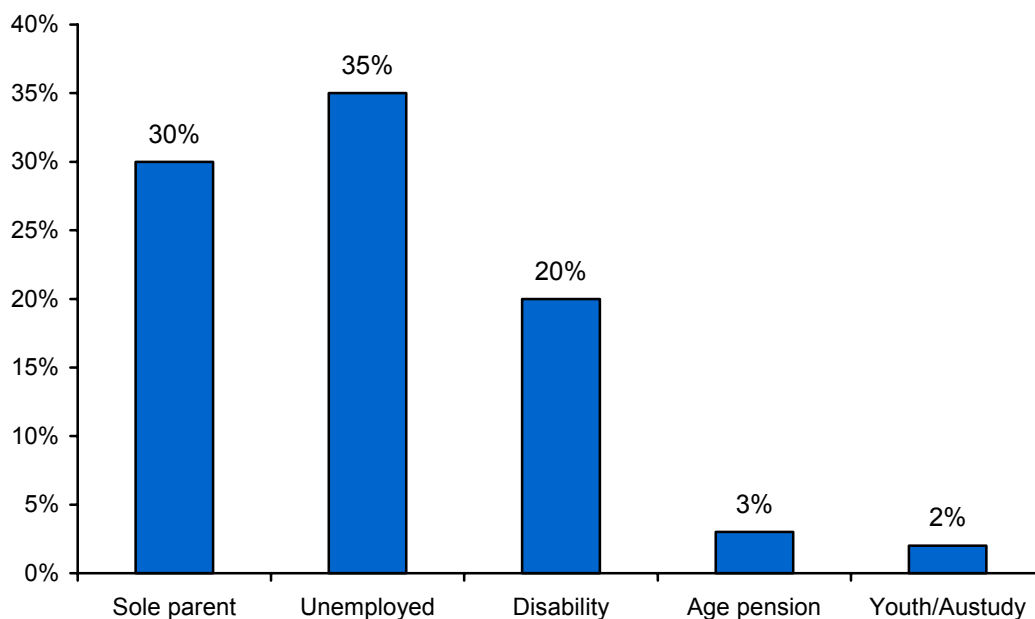
**Figure 5.2: Deprivation score by DSS payment category**

Source: Travers P & Robertson F, *Relative Deprivation among DSS Clients*, Flinders University of SA, Adelaide, 1996, p. 27.

6 Travers P & Robertson F, *Relative Deprivation among DSS Clients*, Flinders University of SA, Adelaide, 1996. No families with children were included in the study.

5.19 Emergency relief data collected by ACOSS and other agencies provide another indication of hardship in the community. Figure 5.3 shows that people reliant on income support payments are the main recipients of emergency relief. Such data suggests that for many people income support payments are insufficient, with many increasingly reliant on welfare agencies for additional support and assistance.<sup>7</sup>

**Figure 5.3: Composition of emergency relief applicants by social security payment - ACOSS survey (1999)**



*Note:* Composition refers to the % of all applicants, out of a total of 50 159 applicants.

*Source:* ACOSS, *Fairness and Flexibility*, September 2003, p.44.

5.20 Evidence from individual emergency relief agencies reported substantially increased demand for services over recent years.<sup>8</sup> Fairfield Community Aid, for example, which administers the largest emergency relief grant in Australia, stated that their funding 'isn't anywhere near enough to cope with the demands placed on it by the poor in the area let alone the working poor or those who find themselves in sudden emergency situations'.<sup>9</sup> The impact of increased demand on welfare agencies is discussed further in chapter 17.

<sup>7</sup> See also *Submission* 169, p.15 (Mission Australia).

<sup>8</sup> *Submissions* 75, pp.2-3 (Fairfield Community Aid); 189 pp.1-2 (Holroyd Community Aid); 226, pp.1-3 (Anglicare Illawarra).

<sup>9</sup> *Submission* 75, p.2 (Fairfield Community Aid). The Committee heard stories of hardship first-hand from the workers at Fairfield Community Aid during its visit to their facilities.



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## Conclusion

5.21 Although the data sources and methods used in the above studies vary, some consistent patterns emerge. The studies that examined the relative position of different types of family found that *single people* were generally more financially disadvantaged than couples. Those studies that examined the relative position of recipients of different types of social security payment consistently found that *unemployed people* are relatively disadvantaged.

5.22 In relation to the 'hardship' studies, *sole parent families* emerged as a relatively disadvantaged group (compared, for example, to couples with children). This is consistent with anecdotal evidence from community agencies and many local studies of financial hardship. The hardship studies also suggest that *people with disabilities* face a relatively high risk of hardship. This may reflect additional costs associated with having a disability that are not picked up in traditional poverty studies.

5.23 The findings with regard to *young people* and *adult students* show that these groups are also disadvantaged. While the level of benefits payable to these groups is relatively low, the extent of disadvantage faced may be mitigated for some by the extent to which they can draw on family support for assistance. Anecdotal evidence from community agencies suggests, however, that poverty among young people who are not living with their parents has increased in recent years.<sup>10</sup> The Brotherhood of St Laurence (BSL) stated that 'the payments for young people, particularly those under 21, are so low that it is almost impossible for them to live and they rely on agencies like ours, emergency relief and a whole bunch of things just to get by'.<sup>11</sup>

## Payment structure

5.24 Several submissions and other evidence argued that the large and growing gap between allowance and pension rates was contributing to increasing financial hardship for many people. Submissions commented that the argument that people receive allowances for only a short period of time is no longer tenable – the casualised labour market and the incidence of long-term unemployment mean that people must rely on allowances for an extended period. Given these changes, submissions argued that there was no rationale for the continued difference in payment rates between pensions and allowances.<sup>12</sup> Table 5.4 illustrates the major anomalies in current base rates of payment.

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10 ACOSS, *Fairness and Flexibility*, p.45. See also *Submissions* 187, p.27 (SA Government); Victorian Government, p.11 (Victorian Government).

11 *Committee Hansard* 30.4.03, p.63 (BSL).

12 *Committee Hansard* 30.4.03, pp.63-64 (BSL); *Submissions* 163, p.128 (ACOSS); 98, p.17 (BSL).

**Table 5.4: Major anomalies in base rates of payment (June 2003)**

<i>Payment</i>	<b>Single rates</b>		<b>Married rates</b>	
	<i>Maximum rate (\$ per week)</i>	<i>Amount below pension rate</i>	<i>Maximum rate (\$ per week)</i>	<i>Amount below pension rate</i>
Pension	\$220	0	\$184	0
Newstart Allowance	\$190	\$30	\$171	\$13
Austudy	\$155	\$65	\$155	\$29
Youth Allowance (away from home rate)	\$155	\$65	\$155	\$29

*Source: ACOSS, Fairness and Flexibility, September 2003, p.52.*

5.25 Welfare and advocacy groups argued that allowances should be increased up to the level of the pension and indexed to 25 per cent of MTAW, with some arguing that this should be extended to all allowances.<sup>13</sup> ACOSS argued for 'targeted increases' in social security payments – 'our proposal is that for particular groups and unemployed people – and youth in particular – the income support available to them is progressively raised to the rate of the pension'.<sup>14</sup> ACOSS noted that raising allowance rates to pension levels 'would help some of the most financially disadvantaged groups of recipients – unemployed people, adult students, and independent young people – and reduce some of the worst income poverty'.<sup>15</sup>

5.26 Other groups argued that the major *adult* payments should be aligned with pension rates. SACOSS argued that priority should be to bring single unemployed adults and single adult student rates up to pension levels and that the independent rate Youth Allowance should be progressively increased to align with pension rates.<sup>16</sup>

5.27 Others proposed that increasing allowances to pension rates could be introduced progressively, with the BSL suggesting that this reform should be introduced by 2010.<sup>17</sup> ACOSS argued that as a first step Austudy rates should be aligned with those of Newstart Allowance and the single adult rate of Newstart Allowance and the away

13 *Submissions* 98, p.17 (BSL); 163, p.133 (ACOSS).

14 *Committee Hansard* 20.6.03, p.674 (ACOSS).

15 ACOSS, *Fairness and Flexibility*, p.51.

16 *Submission* 46, p.21 (SACOSS).

17 *Submission* 98, p.viii (BSL).

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from home rates of Youth Allowance should be increased. Other allowances would then be increased progressively.<sup>18</sup>

5.28 FaCS advised the Committee that the cost of increasing allowances to 25 per cent of MTAWWE as currently applies to pensions would be \$1.4 billion for 2004-05. The cost would continue to grow from 2004-05 due to the effect of MTAWWE indexation.<sup>19</sup>

### *Conclusion*

5.29 The Committee believes that there is a pressing need to remove anomalies in the income support payments for allowees in comparison to pension payments. This reform would address the severe financial difficulties faced by many people receiving allowances, especially unemployed people, independent young people and adult students. The Committee considers that allowances should be progressively increased to pension levels and that they should be indexed to 25 per cent of MTAWWE.

## **Recommendation 11**

### **5.30 That the Commonwealth Government:**

- **consider increasing the base rates of allowances to the level of pension payments and that these payments be indexed to 25 per cent of MTAWWE; and**
- **consider the feasibility of introducing this reform by 2005.**

### *Level of payment*

5.31 Some evidence suggested that, in addition to the need to increase allowances to the level of pension payments, there was a need, at least over the longer term, to increase social security payments generally to a higher level than the benchmark of 25 per cent of MTAWWE currently applied to pension levels.

5.32 The SVDP National Council argued that social security benefits should be gradually increased in yearly increments, for example, by 0.01 per cent, until 'social justice' is achieved.<sup>20</sup> COTA National Seniors argued for an increase of \$300 (which would be indexed) or 3 percent annually for those on full pensions and allowances. This would be paid to all people aged 50 years and over reliant on social security payments.<sup>21</sup>

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18 ACOSS, *Fairness and Flexibility*, p.52.

19 *Submission* 165, Supplementary Information, 13.8.03, p.7 (FaCS).

20 *Submission* 44, p.71 (SVDP National Council).

21 *Submission* 184, p.19 (COTA National Seniors).

5.33 Several pensioner groups argued that the rate of pension should be increased to 35 per cent of MTAWWE to better reflect the cost of living faced by pensioners. These organisations pointed to the higher pension payments provided in overseas countries.<sup>22</sup> The CPSA conceded that this would represent a 'considerable rise' – 'but we feel that would do a lot in terms of alleviating poverty. It would mean that people would have a better quality of life'.<sup>23</sup>

5.34 FaCS advised the Committee that the cost of increasing social security payments to even 30 per cent of MTAWWE would be substantial. Increasing pensions and allowances to this level would cost \$11 billion for 2004-05. The cost would continue to grow from 2004-05 due to the effect of MTAWWE indexation.<sup>24</sup>

### *Conclusion*

5.35 The Committee believes that while the cost of increasing the rates of social security payments would be substantial, the Commonwealth Government should have, as a long-term goal, a commitment to increasing the rate of both pensions and allowances to a substantially higher rate than the current 25 percent of MTAWWE benchmark at present applied to pension payments.

### *Concessions*

5.36 In addition to the direct payment of income support, many social security recipients are eligible for a range of non-cash benefits. These include assistance with the costs of prescription medicines through the PBS, and concessions from State and local governments and discounts from private providers, such as reduced local government rates and charges and discounts for transport costs.

5.37 Over three million pensioners have Pensioner Concession Cards, while 1.7 million allowees and low income households have Health Care Cards, with the Commonwealth Seniors Health Card (CSHC) providing concessions to over 275 000 self-funded retirees.<sup>25</sup> In total, 31 per cent of the adult Australian population is in receipt of a Health Care Card or Pensioner Concession Card, increasing to 33 per cent with the inclusion of CSHC holders. Data by State on the receipt of Commonwealth concession cards is provided in Table 5.5.

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22 *Submissions* 223, p.13 (APSF); 29, p.11 (CPSA).

23 *Committee Hansard* 26.5.03, p.283 (CPSA).

24 *Submission* 165, Supplementary Information, 13.8.03, p.7 (FaCS).

25 *Submission* 165, p.41 (FaCS).

**Table 5.5: Commonwealth Concession Card holders by State, June 2002<sup>(a)</sup>**

State	Health Care Card & Pensioner Concession Card	%	All Cards <sup>(b)</sup>	%
NSW	1 490 550	29.6%	1 593 178	31.7%
VIC	1 165 225	31.4%	1 234 131	33.2%
QLD	902 015	32.6%	950 512	34.3%
WA	427 861	29.7%	454 037	31.5%
SA	415 197	35.5%	434 593	37.2%
TAS	143 635	40.6%	149 310	42.2%
NT	41 798	30.3%	42 572	30.8%
ACT	46 454	19.1%	52 083	21.4%
<b>TOTAL</b>	<b>4 632 735.00</b>	<b>31.2%</b>	<b>4 910 416</b>	<b>33.0%</b>

<sup>a</sup> Numbers of adult Australians (aged 18 years and over) in receipt of a concession card as a proportion of this age group.

<sup>b</sup> Includes Commonwealth Seniors Health Card holders.

*Source:* Submission 165, Supplementary Information, 13.8.03, p.1 (FaCS).

5.38 Problems in relation to the wide variation in the nature and eligibility for concessions across the States and the interaction between Commonwealth payments and the various State programs were raised in submissions. NCOSS noted that in NSW transport concessions under the NSW Half Fare Entitlement Card are limited to people in receipt of the maximum rate of certain Centrelink payments. This excludes many people on low incomes with transport needs, including many young unemployed people and unemployed people who have been breached by Centrelink. ACOSS noted that recipients of allowances generally receive concessions that are vastly inferior to those available to pensioners, despite the fact that transport and communication concessions are of particular importance to unemployed people to help with job search.<sup>26</sup>

5.39 NCOSS recommended that the Commonwealth should negotiate an agreement with State Governments in relation to concessions that established minimum standards for concessions, for example, in relation to transport concessions for students and jobseekers; that concessions should be targeted on the basis of need rather than being targeted solely to pension recipients; and that easily accessible information on the

concession regimes in each State and their linkages to the income support system should be available.<sup>27</sup>

5.40 The Victorian Government raised concerns in relation to the Commonwealth's extension of concessions to seniors of independent means. The Victorian Government stated that this approach 'would undermine the Victorian concessions policy framework by re-directing limited funds from vulnerable households to relatively affluent seniors'.<sup>28</sup> ACOSS also noted that the extension of concession cards to these groups has the effect of undermining their value for the neediest recipients, as suppliers in the private and public sectors progressively withdraw or diminish discounts for cardholders.<sup>29</sup>

## **Recommendation 12**

**5.41 That the Commonwealth and the States review their approach to concessions by:**

- **establishing common eligibility criteria for concessions by removing anomalies in the level and scope of concessions between pensioners and allowees;**
- **that priority for access to concessions be directed to low income pensioners and allowees; and**
- **that information be widely disseminated on the nature and extent of concessions available.**

### ***Participation costs***

5.42 Many people on income support lack the financial resources to meet expected obligations placed on them by Government through activity test requirements for income support payments, or to meet the extra costs incurred, for example, in job seeking activities. Submissions indicated the need for the introduction of a participation allowance in recognition of the costs of such participation.<sup>30</sup>

5.43 A number of such payments to assist with participation costs exist already, including the Pensioner Education Supplement (which is payable to Centrelink income support payees who are undertaking full-time or part-time study) and the Work for the Dole Supplement (which is a supplement to income support for eligible

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27 *Submission* 143, pp.3-4 (NCOSS).

28 *Submission* 69, p.28 (Victorian Government).

29 ACOSS, *Fairness and Flexibility*, p.63.

30 *Submissions* 169, pp.17-18 (Mission Australia); 166, p.34 (Salvation Army); 163, pp.128-29 (ACOSS).

jobseekers who participate in activities of value to local communities).<sup>31</sup> ACOSS noted, however, that under the present system, unemployed people on Newstart Allowance, for example, are usually expected to apply for several jobs a week, and be prepared to search for jobs that require substantial travel yet there is no supplement to meet these costs. While some costs associated with participation requirements, such as education courses for pensioners, are directly subsidised, others are not.<sup>32</sup>

5.44 As noted above, increased participation requirements can impose an additional financial burden on people whose incomes are already severely limited, especially in the areas of transport and education. The Salvation Army argued that incentives or payments should be provided, given that the costs of participation often outweigh income support and the incentives currently provided. Ancillary support in the form of financial supplements for travel and other costs 'are critical for people to truly participate and seek employment'.<sup>33</sup>

5.45 The *Australians Working Together* welfare reform package goes some way to recognising participation costs through the introduction of a Language, Literacy and Numeracy Supplement which provides a payment to eligible people who undertake approved language, literacy and numeracy training to overcome barriers they may have in gaining employment. This 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.

5.46 ACOSS noted that there are a number of ways to address the issue of participation costs. One approach is to extend cash supplements to all recipients of workforce age payments engaged in an approved economic participation activity. For example, the Work for the Dole Allowance could be replaced by a more generous jobsearch and work experience allowance to assist with the costs of meeting job search requirements and participating in work experience programs. The Pensioner Education Supplement could be replaced by an education and training allowance for recipients of workforce age payments, to assist in the ancillary costs of participation in approved further education and training courses.

5.47 An alternative approach suggested by ACOSS would be to provide an entitlement for jobseekers and participants in approved education, training and work experience programs by way of a series of payments designed to reimburse key costs, such as transport fares, student union fees and books. The advantage of this approach is that assistance could be targeted towards those facing the highest costs. The main

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31 *Submission* 165, Supplementary Information, 13.8.03, p.6 (FaCS).

32 ACOSS, *Fairness and Flexibility*, p.64.

33 *Submission* 166, p.34 (Salvation Army).

disadvantage is that it would be more complex and costly to administer than a cash supplement.<sup>34</sup>

### *Conclusion*

5.48 The Committee believes that there is a need for the introduction of a comprehensive participation allowance in recognition of the costs associated with jobsearch, work experience or further education and training activities of jobseekers. While a number of participation payments already exist these supplements need to be replaced by a broader and more generous payment for those engaged in jobsearch and related activities. The Committee envisages that the proposed participation allowance would subsume existing payments.

5.49 The Committee believes that the allowance should be means-tested and reimburse certain ancillary costs up to a prescribed level associated with jobsearch and other activities, as noted above. Those eligible for the allowance would need to provide receipts with respect to expenditure incurred.

### **Recommendation 13**

**5.50 That the Commonwealth Government introduce a means-tested participation allowance, to broaden and replace existing payments, to meet the additional costs, up to a prescribed level, associated with jobsearch, work experience or further education and training activities of jobseekers.**

### **Compliance requirements and penalties**

5.51 Evidence highlighted the impact harsh breach penalties have on unemployed income support recipients for failure to comply with the various requirements linked to the receipt of these payments, and the financial impact this has on already vulnerable groups in society. The breaching regime also has flow-on effects to community welfare agencies that provide assistance and support to those impacted by the current breaching regime. This is discussed further in chapter 17.

5.52 There are two types of breaches – activity test breaches and administrative breaches. Activity test breaches relate to failing to meet certain obligations such as failure to accept a reasonable job offer or to attend a job interview with a prospective employer. An administrative breach relates to failing to comply with some procedure or administrative requirement, for example, failure to attend an interview at Centrelink

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34 ACOSS, *Fairness and Flexibility*, pp.64-65.



### **Breaching – penalising the poorest**

...overall, the system as it operates at the moment relies far too much on obligations and compulsion, based on the idea that people have to be banged over the head or they will not do anything. From our experience that is just nonsense. We know that people want to work, they are trying the best they can to find jobs, and they face a whole lot of barriers to getting into employment, including, as we have heard, the fact that there are six people for every job vacancy. The system of providing more compulsion and more obligations is just obscene. When you think that with the breach penalties, we are talking about \$800, \$1,200 or \$1,500 being applied to people who are the poorest in our society.

*Committee Hansard 30.4.03, p.64 (BSL).*

Breaching seems to be a government KPI – key performance indicator. No amount of discussion from our clients, as related to us, makes any difference. Nothing works: there are no excuses if you breach: "Bang! There is another one. Caught you! Performance review appraisal? Well, that will look good". They are fairly cynical comments but that is the way it seems to come across to the people and to us. ... The frustration of not having and not being able to find a job is soul destroying on its own without being subjected to this injustice of being breached.

*Committee Hansard 2.7.03, p.963 (SVDP Society – Central Illawarra).*

...it [breaching] does so much harm to the community. I have talked to young people who were at the edge of committing suicide. I have talked to young people who have actually acquired disabilities as a result of breaching because they were put out on the streets. If you have eight weeks with no income, what are you going to do? Where are you going to live?

*Committee Hansard 29.4.03, p.21 (Disability Action).*

5.53 Current activity test penalties for unemployed jobseekers on Newstart and Youth Allowance 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.

5.54 Under the welfare reform package, *Australians Working Together*, passed in the Senate on 27 March 2003, the participation/activity test and breaching regime has been extended to sole parents and older unemployed people. From September 2003, people receiving Parenting Payment whose youngest child is aged 13 to 15 years are subject to a participation requirement to plan for a return to work. Parents with older children are required to do a part-time activity of up to 150 hours in each 6 month

period to increase their employment prospects. The requirements do not apply to parents caring for a child with a serious disability.<sup>35</sup>

5.55 If a person has not complied with the requirements under a participation agreement then a penalty will be applied. Parenting Payment recipients are subject to the same activity test penalties applying to Newstart and Youth Allowance recipients. The main difference is that in relation to these breaches where the recipient complies with the requirement in the breach period within 13 weeks, the breach is revoked and full arrears in payments are made. This does not apply in the case of Newstart and Youth Allowance recipients, where once the breach penalty is imposed the full period is served. In addition, Parenting Payment recipients are not subject to administrative breaches.

5.56 Mature age Newstart Allowance recipients (aged 50 years and over) are also subject to activity test requirements and penalties. Recipients are required to look for work but the activity test is flexible, especially for those with no recent workforce experience. Participation agreements will take into account a person's circumstances, skills and abilities.

5.57 Where a person fails to comply with the terms of the agreement, a penalty will be imposed. Mature age Newstart Allowance recipients are subject to the same activity test penalties applying to Newstart and Youth Allowance recipients. However, the remaining penalty is waived on compliance, but full arrears of payment is not made (as is the case with Parenting Payment).

5.58 Commenting on the recent changes, ACOSS noted this reflected a 'significant softening' of the breaching regime as it applies to sole parents and older unemployed people.<sup>36</sup>

5.59 Submissions noted that the number of breaches increased dramatically between 1997 and 2001. ACOSS stated that there was a 189 per cent increase in the rate of breaching in the three years from 1998, culminating in a record 348 000 breaches in 2000-01.<sup>37</sup> While the number of breaches has started to decline after reaching this very high peak, the impact of breaches on those subject to them is still very severe. As noted above, for a third 'activity test' breach, the penalty is no payment at all for 8 weeks.

5.60 Submissions and other evidence noted that penalties affect groups in society that are already vulnerable, such as homeless people, people who have a mental illness, and others who may not have the capacity to comply with Centrelink requirements

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35 Parenting Payment recipients whose youngest child is aged between 6 and 12 years are required to attend an annual participation interview but they are not subject to breaches and penalties.

36 *Submission* 163, p.132 (ACOSS).

37 *Submission* 163, p.131 (ACOSS).

and who subsequently incur a penalty that further marginalises them from social and economic participation.<sup>38</sup>

5.61 Evidence shows that the application of breach penalties pushes many Australians into poverty and increases the pressure on charities and welfare agencies. A Salvation Army survey found that of the people who approached them for emergency assistance because they had been breached:

- 84 per cent said they were unable to afford food and/or medication as a result;
- 63 per cent said they were unable to pay gas, electricity, water, and/or phone bills;
- 17 per cent indicated that they had become homeless as a result of being breached; and
- 11 per cent said they resorted to crime to make up for the money lost as a result of being breached.<sup>39</sup>

5.62 A joint research project undertaken by the BSL, St Vincent de Paul Society and the University of Melbourne on the impact of breaching reported similar findings. The study found that people coped with the reduced income as a result of breaching by cutting basic expenses, relying on welfare organisations, using up savings or borrowing money from family or friends. Most respondents said it was very difficult and frustrating coping with the loss of that money and it was a struggle to pay for essentials such as food and transport.<sup>40</sup>

5.63 A number of welfare and advocacy groups argued that the current breaching and penalty regime needs to be reviewed to reduce the impact of breaching on the most vulnerable groups in society.<sup>41</sup> They pointed to the Independent Review of Breaches and Penalties in the Social Security System (the Pearce Review) recommendations in relation to breaches as providing a useful model for a breaching regime, especially in its emphasis on assisting and reinforcing compliance rather than identifying and punishing non-compliance.

5.64 The Pearce Review was established in 2001 by nine leading charities and other organisations. The purpose of the review was to identify factors affecting, and the

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38 *Submissions* 133, p.7 (UnitingCare Australia); 98, pp.17-18 (BSL); 163, p.131 (ACOSS). See also *Committee Hansard* 30.4.03, p.64 (BSL).

39 *Submission* 135, p.4 (Salvation Army).

40 *Submission* 98, p.17 (BSL). See also *Committee Hansard* 2.5.03, pp.219-220 (Anglicare Tasmania); 1.5.03, p.135 (Knox City Council).

41 See, for example, *Submissions* 163, p.134 (ACOSS); 166, p.36 (Salvation Army).

consequences of, recent changes in the incidence of breaches and penalties relating to unemployed people receiving income support payments; and to recommend improvements in the effectiveness and fairness of the system.

5.65 In relation to breaches, 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.<sup>42</sup>

5.66 The Committee recommended in its 2002 report that the recommendations of the Pearce Review should be implemented in full.<sup>43</sup> ACOSS has also argued for full implementation of the Pearce Review recommendations and that, in particular, penalties should be fully recoverable if a jobseeker takes 'reasonable steps' to comply with reasonable requirements not later than four weeks after imposition of a breach; the duration of penalties should not exceed eight weeks; and the rate of reduction in allowance should not exceed 25 per cent of income.<sup>44</sup>

5.67 The BSL also argued that the breaching regime should ensure that breach penalties do not reduce payments for longer than eight weeks.<sup>45</sup> The BSL added that the Government's recent changes do not go far enough – 'we would say there is a need to reduce some penalties for second breaches. The Government has introduced something for first breach penalties, which is a positive initiative, but it does not go far enough'.<sup>46</sup>

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42 Independent Review of Breaches and Penalties in the Social Security System (Pearce Review), *Making it Work*, 2002, pp.83-86.

43 Senate Community Affairs References Committee, *Report on Participation Requirements and Penalties in the Social Security System*, September 2002, chapter3.

44 *Submission 163*, p.134 (ACOSS). See also *Submission 46*, p.21 (SACOSS).

45 *Submission 98*, p.ix (BSL).

46 *Committee Hansard 30.4.03*, p.64 (BSL).

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## **Conclusion**

5.68 The Committee believes that the current breaching regime and associated penalties remain harsh and inequitable, especially for Newstart and Youth Allowance recipients, and contribute to increasing poverty and financial hardship for many of the most vulnerable people in society, as well as placing an increased burden on the services of welfare agencies. The Committee notes some softening in the breaching regime for sole parents and older unemployed people but believes further changes are needed.

5.69 The Committee considers that the conclusions and recommendations in its 2002 report remain valid and that the recommendations of the Pearce Review provide a fairer and more effective compliance system and are less punitive than current arrangements and therefore should form the basis of a more balanced breaching regime.

## **Recommendation 14**

**5.70 That the breaching and penalty system be amended in line with the recommendations of the Pearce Review; namely 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.**

## **Poverty traps**

5.71 Submissions noted that the tax and transfer system in Australia interact in a way that imposes high effective marginal rates of tax for people moving from or combining income support and work. Some people on social security payments can lose up to 87 per cent or more of every extra dollar they earn from working. This creates a disincentive to move into work and is often described as a 'poverty trap' that locks many people into welfare dependency.<sup>47</sup>

5.72 All income support payments, except for people who are legally blind, are subject to an income and assets test to ensure that payments are targeted to those most in need. The balance between targeting payments to those most in need while still encouraging self provision and financial rewards is a fundamental issue in designing any income support system.

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47 *Submissions* 98, p.18 (BSL); 187, p.28 (SA Government).

5.73 The rate of income support a person receives depends on a number of factors, such as whether they are single or partnered, have dependent children and how much income they earn. Income tests comprise:

- a 'free area' – this is the amount of private income a person can receive from earnings or other sources before their income support payment is reduced;
- a 'taper rate' – this is the rate at which income support payments are withdrawn or 'tapered away' over the range of private income between the free area and the final cut-out point; and
- a 'cut-out point' – this is the amount of private income at which a person ceases to receive any income support payment.

5.74 A tight income test – such as with a steep taper and a low cut-out point – ensures strong targeting of assistance to those with little or no income, but can reduce the financial rewards from increasing private income (such as through earnings). This is because of the interaction of the income test and increased tax liability. For example, for each extra dollar a person earns, they lose part through the reduction in income support payment and the tax they pay on the income.

5.75 Conversely, a more generous income test – for instance, having a low taper rate and high cut-out point – will reduce the net effect of the interaction between the withdrawal of payments and tax liability, and hence increase financial rewards from working. Moreover, a more generous income test will also reduce the extent to which assistance is targeted to those with the lowest incomes.

5.76 In essence, a balance needs to be struck in designing income tests between encouraging people to work and maintaining an affordable system that does not require an increase in taxes or a withdrawal of goods and services provided elsewhere by government.

5.77 One measure of the proportion of income that is lost to income tax and income tests when a person increases their income is the effective marginal tax rate (EMTR). In effect, an EMTR is how much money people will lose from each additional dollar of private income. When EMTRs are high, and especially if EMTRs are sustained over wide income ranges, they will reduce the incentive to work since people get to keep only a small amount of the additional income they earn. In cases where the EMTR is 100 per cent, there is no gain from earning additional income over the range covered by that EMTR. In some cases EMTRs are more than 100 per cent, and people would actually lose money from working more hours. Given that income support and family payment rates differ according to a person's family circumstances, EMTRs also differ across different family types.

5.78 An increase in EMTRs has two possible effects on work incentives:

- The 'income effect' arises because an increase in the tax rate reduces the amount of disposable income from a given amount of work and so might encourage greater work effort to make up for this loss; and
- The 'substitution effect' recognises that the return for giving up an extra hour of 'leisure' in order to work has been reduced by the increase in the EMTR and so people may be inclined to work fewer hours.

5.79 These two effects work in different directions and the net effect on work incentives will depend on an individual's preferences and their circumstances. For example, it may be that mothers who are second income earners and face the demand of family responsibilities will be more influenced by the substitution effect. On the other hand, primary earners may give greater weight to the income effect.<sup>48</sup>

5.80 ACOSS stated that taper rates for people on unemployment benefits are a very real disincentive to paid work. For fortnightly income between \$62 and \$142 the taper rate is 50 cents in the dollar, for income above \$142 per fortnight it is at the higher rate of 70 cents in the dollar. Partner income which exceeds the cutout point reduces the fortnightly allowance by 70 cents in the dollar. The 70 per cent withdrawal rate, when combined with a 20 per cent tax rate, leads to very high effective marginal tax rates for many unemployed people seeking employment.

5.81 By contrast, people in receipt of a pension payment are subject to a withdrawal rate of 40 cents in the dollar for all income over a free area of \$116 a fortnight. Unemployed people thus have a much higher effective marginal tax rate than age and disability pensioners, despite the fact that they face extra expenses in looking for work and improving their work skills. They also have much higher marginal tax rates than Australians on the highest incomes. ACOSS argued that poverty traps could be reduced by easing the social security income tests for unemployed people with casual or part time work.<sup>49</sup>

5.82 The BSL argues that the problem could be diminished by raising the earnings threshold at which people begin to lose some of their benefits (the 'free area') and by introducing a standard withdrawal rate (for example, 60 per cent) instead of the current two-tier rates of 50 and 70 per cent. These two changes would mean that people who worked part-time would retain more of their earnings.<sup>50</sup>

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48 Reference Group on Welfare Reform, *Interim Report: Technical and Other Appendices*, Appendix 4, pp.38-48.

49 *Submission* 163, pp.133-34 (ACOSS).

50 *Submission* 98, p.18 (BSL).

5.83 ACOSS also argued that the interaction of income tests for Family Tax Benefit, Youth Allowance and Child Care Benefit also contributes to poverty. This has implications for work outcomes, as mothers with children in low and middle income families are particularly sensitive to employment disincentives. Where a family has more than one child attracting these payments, these income tests 'stack' – together with personal income tax – to produce very high effective marginal tax rates on family income, often in excess of 80 per cent. Family Tax Benefit A is withdrawn at the rate of 30 cents in the dollar of family income. When combined with personal income tax, this leads to effective marginal tax rates of 60 per cent for many families.<sup>51</sup>

### **Recommendation 15**

#### **5.84 That the Commonwealth Government review social security income tests:**

- to reduce the high effective marginal tax rates for many unemployed people with casual or part time work;**
- reduce the high effective marginal tax rates for families caused by the combined effect of income tests for Family Tax Benefit A, Child Care Benefit and Youth Allowance, in cases where a family has children attracting more than one payment.**

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51 *Submission 163*, p.133 (ACOSS).



## CHAPTER 6

### HOUSING

*Housing is a linchpin of social inclusion. Until security of tenure is stable, other issues relating to economic vulnerability cannot be addressed. Shelter is a basic requirement and it is the foundation on which one's sense of belonging is established.*<sup>1</sup>

6.1 Housing is a basic human need and plays a crucial role in determining whether or not people live in poverty and in a society's ability to realise broader social outcomes. The fundamental role of secure housing was described in one submission:

Affordable housing can play an important role in reducing poverty by providing households with more income to access essential services and enjoy opportunities to participate in the economic, social and cultural life of their community. In this way, access to affordable housing has the potential to prevent the inter-generational transmission of poverty and disadvantage.<sup>2</sup>

6.2 Housing can provide, *inter alia*, a stable base for people to find a job, undertake study and training, participate in family and community activities, and access local services.<sup>3</sup>

#### **Housing and poverty**

6.3 There is an extensive literature on the links between housing and poverty. In most studies of 'before' and 'after housing' poverty – that is, after housing costs are included – the rates of after housing poverty are significantly higher than those of before housing poverty. A study commissioned by the Smith Family estimated that in 2000, 17.5 per cent of the population were in 'after housing' poverty while 13 per cent were in poverty prior to housing costs being taken into account.<sup>4</sup> These figures reflect the fact that the housing costs of the poor are a more significant proportion of their income than for middle and upper income families. Taking housing costs into account thus increases the relative financial deprivation suffered by lower income households. Figure 6.1 shows the poverty rates for renters and boarders are significantly higher than for homeowners or purchasers and increases significantly for this group after

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1 *Committee Hansard* 2.5.03, p.228 (Salvation Army).

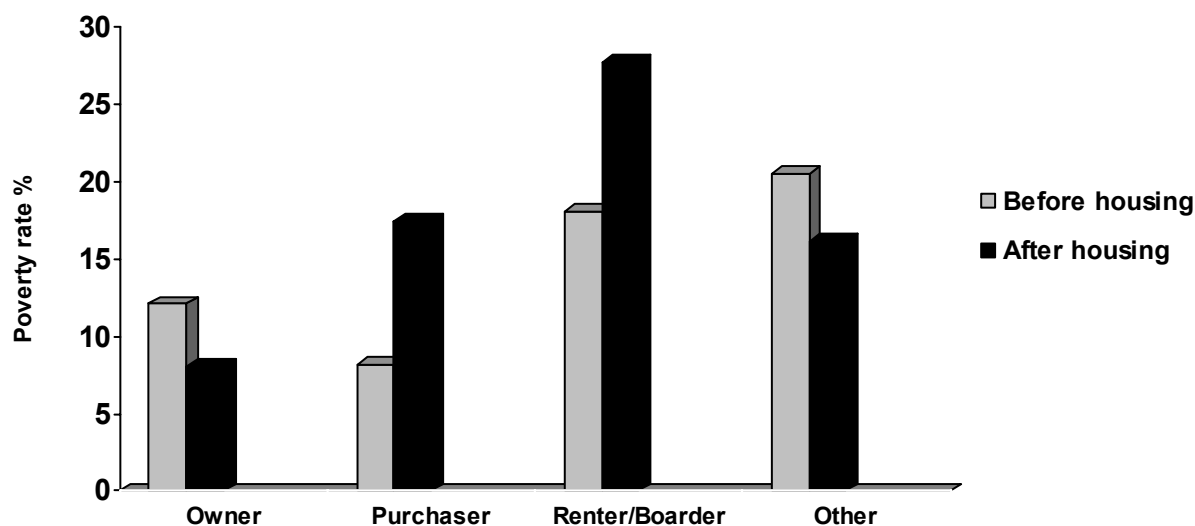
2 *Submission* 129, p.33-34 (Queensland Government).

3 *Submissions* 163, pp.145-46 (ACOSS); 144, p.10 (Tenants Union of Victoria). See also AIHW, *Australia's Welfare 2003*, pp.162-165.

4 Harding A, Lloyd R & Greenwell H, *Financial Disadvantage in Australia, 1990 to 2000*, The Smith Family, 2001, p.18.

their housing costs have been taken into account – from 18 per cent (on a before housing basis) to 28 per cent (on an after housing basis).

**Figure 6.1: Estimated poverty rates for individuals in 2000, by housing tenure, before- and after- housing costs<sup>a</sup>**



<sup>a</sup> Using the half average income poverty line (Henderson equivalence scale).

*Source:* Harding A, Lloyd R & Greenwell H, *Financial Disadvantage in Australia, 1990 to 2000*, The Smith Family, 2001, p.19.

6.4 Tenants in public housing, as well as being poor, also often face compounding stress factors in their lives. One witness noted that a significant stress factor on public housing estates is loneliness – and loneliness brings isolation, fear and a lack of confidence. People are often afraid to go out in the larger housing estates, and many residents, particularly female sole parents, are preyed upon by others due to their vulnerability.<sup>5</sup>

6.5 Housing is usually the single greatest cost facing most households, particularly for low income earners. Housing costs have increased rapidly over the last decade. At the same time, however, the availability of 'affordable housing' – that is housing that low income households can afford without experiencing housing stress – has declined. 'Housing stress' refers to people having to pay such a significant proportion of their income for housing that they suffer severe financial consequences. It generally refers to those households who pay 30 per cent or more of their household income in housing costs. Households in the bottom 20 percent of the income distribution are especially vulnerable to housing stress. ACOSS stated that a quarter of a million people currently experience housing stress and if this trend continues the number will be one million by 2020.

5 *Committee Hansard* 26.5.03, p.362 (SVDP – Riverwood Conference).

## Housing and poverty

The cost of housing is a major contributor to poverty. Housing affordability in the major population areas is at an all-time low.

Today's Australian housing market is characterised by:

- relentlessly rising housing prices and a growing 'housing affordability crisis';
- an increasing 'mismatch' between housing need and housing outcomes, resulting in both over-crowding and rising short-term and chronic homelessness;
- a decrease in private rental low-rent dwellings, especially in our capital cities;
- increasing social segregation expressed spatially in the creation of homogeneous enclaves of rich and poor residents within the metropolitan areas and in greater socio-economic divisions between city and country; and
- the creation of a vicious circle of multiple disadvantage in marginalised areas, raising the spectre of 'social exclusion' and the inter-generational perpetuation of unemployment and disengagement.

*Submission 102, pp.9-10 (Shelter NSW).*

6.6 Despite the recent housing boom, Australia has experienced a continuing decline in the stock of affordable housing and is facing a housing affordability crisis. Nationally there is an estimated shortage of 150 000 units of affordable housing.<sup>6</sup> Those living in private rental are most affected by the housing crisis. A recent joint study by National Shelter and ACOSS found that in 2001-02:

- over one-third (35 per cent) of Commonwealth Rent Assistance (CRA) recipients (approximately 330 360 people) spent more than 30 per cent of their income on rent and were in housing stress;
- almost one in ten (9 per cent or approximately 85 000 people) spent more than 50 per cent of their income in rent and were in extreme housing stress; and
- in most of the major population areas the maximum amount of CRA paid is insufficient to ensure that households can live free of housing stress – this is especially so in inner Sydney and inner Melbourne.<sup>7</sup>

6.7 An earlier study by the Brotherhood of St Laurence (BSL) reported similar findings. The study found that in 1996, almost three-quarters of lower income private tenants in Melbourne were in housing stress, an increase of 13.5 percent from a

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6 *Submission 163, p.145 (ACOSS).*

7 National Shelter & ACOSS, *Rent Assistance: Does it Deliver Affordability?*, September 2003, pp.4,10.

decade earlier. Similarly, in Sydney, 47 per cent of lower income households were estimated to be experiencing housing stress in 1999, an increase of 50 per cent since 1986.<sup>8</sup>

## Homelessness

6.8 The most extreme example of housing stress is being homeless. Homelessness in Australia was described during the inquiry as a 'national disgrace'.

It is an appalling sight to see men setting up a tent city in Talbot Place in Sydney, outside the Matthew Talbot Hostel, which is the largest men's hostel in the Southern Hemisphere. Men from our area [Lismore] go to Sydney to get accommodation because they cannot find it in our area. They also cannot find it in Sydney. We are at risk of mirroring cities in India where people sleeping on the street is almost the norm and is accepted.

*Committee Hansard 1.7.03, pp.853-54 (St Vincent de Paul, Lismore).*

6.9 Since the 1980s the issue of homelessness has been the subject of several significant reports. A major report by the Human Rights and Equal Opportunity Commission into youth homelessness, chaired by Brian Burdekin, reported in 1989. The report highlighted the plight of homeless youth, estimating that there were at least 20 000 to 25 000 homeless children and young people nationally at that time. The report called for urgent government and community responses to this extremely serious social problem.<sup>9</sup> Evidence to this inquiry confirmed many of findings of the Burdekin report, including the link between homelessness and poverty. Several of the issues raised in the report are still current and need to be addressed.

6.10 One of the most significant causes of homelessness in Australia is the inability of some people to access affordable housing. Other key factors are poverty and unemployment. Any of these factors alone or together place people at risk of homelessness. Combined with other factors such as poor health, disability or the experience of violence, people are at higher risk of homelessness.

6.11 The estimated number of homeless people in Australia on Census night in 2001 was 100 000. While this has declined slightly from the estimated 105 300 homeless people identified on Census night in 1996,<sup>10</sup> it remains an unacceptably high number.

8 *Submission 98, p.19 (BSL).*

9 Human Rights and Equal Opportunity Commission, *Our Homeless Children: Report of the National Inquiry into Homeless Children*, 1989.

10 Chamberlain C & MacKenzie D, *Counting the Homeless 2001*, ABS, November 2003, p.2. See also *Submission 57, 8 (AFHO); Committee Hansard 20.6.03, p.723 (AFHO).*

### Homeless in Australia – An Analysis of 2001 Census data on homelessness

- There were 74 280 homeless households in the 2001 Census, compared with 72 850 in 1996. In 2001, 78 per cent were single person households, 13 per cent were couples, and 9 per cent were families. These findings are similar to 1996.
- Over half (54 per cent) of the homeless population were aged 25 years or older, including one-quarter (24 per cent) who were 45 years or over. However, 36 per cent were young people aged 12-24 years, and another 10 per cent were children under 12 years accompanying adults.
- Overall there were more males in the homeless population (58 per cent), but women are now a substantial minority (42 per cent), compared with 30-40 years ago.
- Indigenous people are more likely to experience homelessness than other Australians – overall, 2 per cent of the population identify as Indigenous, but 9 per cent of the homeless were Indigenous.
- Approximately 60-70 per cent of people in improvised dwellings, boarding houses and SAAP experience a sustained period of homelessness (six months or longer).<sup>11</sup>

6.12 The study of the 2001 Census data concluded that there are now more women in the homeless population, more young people, and a significant minority of families – although there are still homeless people who confirm to the old 'skid-row' stereotype. The study also stated that it is clear that the homeless population 'has increased over the past 40 years, but there is no quantitative data on the rate of increase'.<sup>12</sup>

6.13 Evidence to this inquiry confirmed that the rate of homelessness has increased in recent years, although this is not reflected in the latest Census figures. The SVDP Society indicated that in Sydney the Society worked with 23 000 homeless people in 1998, however, this had increased to 43 000 cases in 2002.<sup>13</sup> QCOSS also stated that there had been a 'massive increase' in homelessness in Queensland – 'this is borne out by supported accommodation data, although that data only counts the number of people that are being serviced by the service system that is funded under SAAP and therefore only counts quite a small proportion of the real level of homelessness'.<sup>14</sup> The BSL also noted that in 2001-02 there had been an increase of 5 per cent in the number of people using homelessness services over the previous year.<sup>15</sup>

11 *Counting the Homeless*, pp.1-8.

12 *Counting the Homeless*, p.8.

13 *Committee Hansard* 26.5.03, p.357 (SVDP – Sydney). See also *Committee Hansard* 2.7.03, pp.967-68 (SVDP – Wollongong).

14 *Committee Hansard* 4.8.03, p.1194 (QCOSS).

15 *Submission* 98, p.20 (BSL).

#### 6.14 Various population groups experience homelessness differently:

- for Indigenous Australians, various forms of discrimination and extreme socio-economic disadvantage, are central causes of homelessness;
- for women, homelessness is most often closely linked to domestic and family violence;
- for young people, homelessness is strongly linked to family abuse and violence, family conflict and unemployment; and
- for families, the lack of suitable rental housing, low vacancy rates in the private rental market, gambling and unemployment are central causes of homelessness.<sup>16</sup>

6.15 Many long-term residents of caravan parks are also at increased risk of homelessness – the range of risk factors include failure to pay rent, park closures, and lack of security of tenure, including lack of written occupancy agreements and often a lack of appeal rights. Many long-term residents move to caravan parks because there is no other suitable alternative accommodation – many are unemployed or on sickness benefits or no longer in the active workforce.<sup>17</sup>

#### **Living in a caravan park**

Several families I have worked with live in the local caravan park. Moving into this environment is usually a financial decision, a last resort and an embarrassment to all family members. These families became more isolated from all their previous associations because of distance, the cost and the irregularity of public transport, and not wanting others to know about their deprived living situation. Children will not invite their friends over, saying, there is not enough space and I will be harassed about our "povo life". Children roam the street connecting with anyone who is in the same situation.

Consider having to walk up the road to go to the toilet or have a shower, allowing your young children to play in the street because there is no room in the one bedroom caravan that accommodates 4 people.

Family members feel bad about themselves they start to take medication (legal and illegal) to get through the day. Family life falls apart, children stop going to school, there is lots of fighting and then violence, children run away and attach to undesirable groups of people, or anyone who provides a roof overhead.

*Submission 131, Hunter Council of Social Services, case studies provided as additional information, 29.5.03.*

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16 *Submission 57*, p.9 (AFHO). See also AIHW, *Australia's Welfare 2003*, pp.389-90.

17 AHURI, *On the Margins? Housing Risk among Caravan Park Residents*, August 2003, pp. i-v. See also *Submission 16*, pp.1-3 (Mr Bollard).

6.16 The Australian Federation of Homelessness Organisations (AFHO) argued that Commonwealth and State Governments need to increase private rental and home purchase assistance for lower income people to address the issue of homelessness. AFHO cautioned, however, that the provision of housing alone is unlikely to address issues of homelessness and poverty for many people. Access to general support and counselling services, access to mental health and other health services, and legal assistance and advocacy are critical in assisting a significant proportion of the homeless population to secure and maintain appropriate housing over the longer term.<sup>18</sup>

### ***Supported Accommodation Assistance Program***

6.17 The Supported Accommodation Assistance Program (SAAP), which is jointly funded by the Commonwealth and the States, provides transitional supported accommodation and other services to people who are homeless or at risk of homelessness. In 2001-02, there were some 1300 SAAP agencies across Australia, assisting on average some 20 000 people per day. SAAP agencies not only offer accommodation services, but other services such as employment and training assistance and a range of counselling services.<sup>19</sup>

6.18 The current SAAP (SAAP IV) is currently being evaluated and AFHO indicated that 'to date we do not have a commitment to there being a SAAP 5'.<sup>20</sup> The evaluation is due to be completed in April 2004. AFHO expressed strong support for the continuation of SAAP arguing that it is a 'world-class' program with an effective national focus. AFHO added that:

SAAP as a crisis program interfaces with a whole lot of other mainstream programs, and we believe it is crucial that that is linked up at a national level...We also believe that the value of SAAP is that it is a joint Commonwealth-state program and it is a special purpose payment. We would certainly like to see SAAP remain that way...We do believe that homelessness is a national issue and we see that one of the values of SAAP has been the working together of the Commonwealth and the states and territories.<sup>21</sup>

6.19 The Australian Institute of Health and Welfare (AIHW) also noted that SAAP 'has been widely recognised as a world-class program...It is not only an important part of Australia's overall response to homelessness, but also an integral part of Australia's

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18 *Submission 57*, p.14 (AFHO).

19 *Submission 165*, p.43 (FaCS).

20 *Committee Hansard 20.6.03*, p.724 (AFHO).

21 *Committee Hansard 20.6.03*, p.724 (AFHO).

broader social safety net'.<sup>22</sup> While supporting crisis accommodation programs, it was emphasised during the inquiry that the solution to homelessness cannot solely centre on these programs. One witness noted that 'crisis accommodation only hides the problem. That is not to suggest that we should not be providing crisis accommodation, but the solution must be affordable, accessible, long term housing'.<sup>23</sup>

### *Conclusion*

6.20 The Committee believes that SAAP provides a range of valuable services to homeless people and is an important part of the social security 'safety net' arrangements for a particularly vulnerable section of the community.

6.21 The Committee notes the evaluation of the program is due to be completed in April 2004 and considers that the Commonwealth Government should give a firm commitment to the continuation of the program.

### **Recommendation 16**

**6.22 That the Commonwealth Government provide a commitment to the continued operation of the Supported Accommodation Assistance Program.**

### **Groups with special housing needs**

6.23 In addition to homeless people or those at risk of becoming homeless, as discussed above, several other groups on low incomes who, because they suffer from social or physical disadvantage, often find it difficult to access affordable housing. These groups include Indigenous people, people with disabilities, people from certain ethnic backgrounds, single people with children, and the aged – especially the frail aged.

6.24 The particular housing needs of these groups are discussed in more detail in chapters 11, 13, 15 and 16. These groups often find it difficult to access the private rental market and increasingly rely on public and community housing to address their housing needs. Issues relating to public housing and access and affordability generally are discussed below.

### **Addressing housing access and affordability**

6.25 A number of measures were suggested during the inquiry to address housing access and affordability for people on low incomes. These included:

- the provision of public and community housing;

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22 *Australia's Welfare 2003*, p.401.

23 *Committee Hansard 30.4 03*, p.46 (Anglicare Victoria).



- rent assistance;
- private investment in low-cost housing;
- homeownership;
- tenants' rights and tenancy databases; and
- the development of a national housing strategy.

### ***Public and community housing***

6.26 Public housing comprises those dwellings owned (or leased) and managed by State and Territory housing authorities. Australia has relatively low levels of public housing – about 5 per cent of all households live in public housing tenures, the proportion ranging from 3 per cent in Queensland to 13 per cent in the Northern Territory.<sup>24</sup>

6.27 Community housing is rental housing provided for low to moderate income or special needs households managed by community-based organisations that are at least partly subsidised by government. Community housing models vary across jurisdictions. This form of housing aims to provide a choice of housing location, physical type and management arrangements. Some forms of community housing also allow tenants to participate in the management of their housing. As at June 2003, there were some 337 959 public housing dwellings occupied nationally with a further 29 367 community housing dwellings.<sup>25</sup>

6.28 Public housing is funded jointly by the Commonwealth and the States under the Commonwealth State Housing Agreement (CSHA). Under this program, public housing tenants pay no more than 25 per cent of their income in rent. The new five-year CSHA commenced on 1 July 2003. The Agreement provides funding of \$4.75 billion over five years for primarily public housing, but also for community, Indigenous and crisis housing. The Agreement includes provision for bilateral housing agreements between the Commonwealth and the State/Territories, allowing each jurisdiction more flexibility in delivering housing assistance according to its priorities and circumstances.<sup>26</sup>

6.29 Public housing provides an essential avenue by which many low income households are able to secure affordable and appropriate housing of an adequate standard. Evidence indicates, however, that the steady decrease in funding to public housing; increased maintenance costs and the costs of upgrading the public housing

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24 *Australia's Welfare 2003*, p.188.

25 *Report on Government Services 2004*, Vol.2, pp.16.9-16.11.

26 *Report on Government Services 2004*, Vol.2, pp.16.9-16.11.

stock; and increasing demand for affordable housing, is threatening the long-term viability of the system.<sup>27</sup>

6.30 Table 6.1 shows Commonwealth and State funding for the CSHA and funding for Commonwealth Rent Assistance (CRA) over the period 1992-93 to 2001-02. The Table indicates that real funding for the CSHA has been generally declining over the period under review.

**Table 6.1: Government expenditure on CSHA assistance and CRA**

	CSHA assistance		CRA	
	\$m	2001-02 \$m	\$m	2001-02 \$m
1992-93	1485.4	1758.7	1199.0	1419.6
1993-94	1419.6	1662.5	1401.0	1640.8
1994-95	1509.6	1649.4	1453.0	1688.2
1995-96	1489.8	1688.4	1552.0	1758.9
1996-97	1353.4	1510.1	1647.0	1837.7
1997-98	1207.4	1328.4	1484.0	1632.7
1998-99	1276.6	1402.3	1505.0	1653.2
1999-2000	1331.0	1431.0	1538.0	1653.6
2000-01*	1406.5	1442.7	1717.0	1761.2
2001-02*	1392.3	1392.3	1815.0	1815.0

\*CSHA expenditure in 2000-01 and 2001-02 contained \$89.7 million of GST compensation paid to State and Territory Governments.

*Source:* Department of Family and Community Services, Annual Reports (various years); *Housing Assistance Act 1996*, Annual Reports (various years); ABS, *National Accounts: National Income, Expenditure and Productivity*, Cat. No. 5206.0.

6.31 Submissions also commented on the decline in funding for the CSHA. ACOSS stated that expenditure on the CSHA has declined in real terms since the 1980s, and between 1984-85 and 1994-95 ACOSS estimated that per capita levels of spending on social housing via the CSHA declined by 25 per cent.<sup>28</sup> This decline in funding levels was confirmed in the recent *Report on Government Services 2004*. The report stated that expenditure on CSHA assistance declined in real terms by approximately 18.6 per cent between 1993-94 and 2002-03. Expenditure on CRA increased by approximately 9.8 per cent in real terms over the same period.<sup>29</sup>

27 *Submissions* 163, p.144 (ACOSS); 144, p.10 (Tenants Union of Victoria).

28 *Submission* 163, p.144 (ACOSS). See also *Submission* 98, p.21 (BSL).

29 *Report on Government Services 2004*, Vol 2, p.16.6.

6.32 The Queensland Government noted that historically CSHA grants have not been indexed for inflation, and have declined in absolute terms since 1996 when the Commonwealth began applying 'efficiency dividends'. As a result, the States are left with public housing infrastructure that can no longer be sustained with current levels of funding. The Queensland Government, referring to features of the 2003 CSHA which introduces indexation, but also continues to apply efficiency dividends – noted that the Agreement 'will still result in a decline in the real value of funding'.<sup>30</sup> Waiting lists for public housing have also increased – the waiting list for public housing in NSW alone is 90 000 to 100 000.<sup>31</sup>

6.33 Concerns were also expressed at the increasing 'welfarisation' of public housing. Over the last decades public housing has been increasingly rationed to the most disadvantaged in the community whereas historically it provided affordable housing for low to moderate income households.<sup>32</sup> Most new tenants are now on some form of Centrelink payment or benefit – being on a low income of itself is therefore no longer the main criteria for being eligible for public housing. Approximately 80 per cent of households renting from State housing authorities in 1997-98 relied on pensions and benefits as their principal source of income. Although people with a disability represented 17 per cent of the total population aged between 15-64 years in 1998, 39 per cent of public housing tenants of this age group in 1998 were people with a disability.<sup>33</sup> In June 2002, of all income units in public housing almost one in three contained an adult with a disability.<sup>34</sup>

6.34 Submissions noted that current Government policy favours the targeting of scarce affordable housing resources to those with the highest – and often the most complex – needs and with low incomes. The Tenants Union of Victoria noted that because of the tight targeting, households experiencing *only* affordability problems, and 'working poor' households are either waiting for excessively long periods for allocation of a property, or are excluded from the system altogether.<sup>35</sup>

6.35 ACOSS noted that the social housing system cannot be sustained if both income-related rents and targeting remain. ACOSS also noted that public housing is carrying significant unfunded maintenance and redevelopment liabilities, and faces a cash flow crisis which has meant virtually no new stock has been added nationally as capital

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30 *Submission* 129, p.34 (Queensland Government).

31 *Committee Hansard* 27.5.03, p.456 (Shelter NSW).

32 *Committee Hansard* 30.4.03, p.49 (Catholic Social Services Victoria); 27.5.03, p.456 (Shelter NSW).

33 *Report on Government Services 2004*, vol 2, p.16.9.

34 *Australia's Welfare 2003*, pp.191-92.

35 *Submission* 144, p.11 (Tenants Union of Victoria).

funding has been used to meet this gap.<sup>36</sup> The level of public housing stock at the national level has declined from 362 967 dwellings in 1999-00 to 354 124 dwellings in 2001-02.<sup>37</sup> The BSL advised that annual additions nationally to public housing have declined from between 10 000 and 15 000 to less than 5000 dwellings in the last few years. The Brotherhood noted that internal revenue now generated in Victoria's public housing only covers the cost of rental operations but is not sufficient to fund the acquisition of new stock, improvements to older stock or redevelopment of estates.<sup>38</sup>

6.36 Submissions argued that it was vital that a viable public housing system be maintained and be adequately funded.<sup>39</sup> Shelter NSW stated that:

It is...vital for capital funding levels to increase substantially, given that funding reductions together with increased targeting of public housing to at-risk groups have led to a steep decline in new construction (combined with a blow out in waiting lists) and an equally steep decline in rental returns with higher percentages than ever of tenants on statutory benefits.<sup>40</sup>

6.37 The provision of a viable public housing system would, however, require considerable expenditures. Shelter NSW estimated that it would cost \$2 billion a year to provide a sustainable system in NSW alone – 'you have 130,000 units of public housing and we are talking about tripling that. It is a lot of money. But then you would end up with a sustainable social housing system which would house not just very poor people but up to moderate income people'.<sup>41</sup>

6.38 The use of private capital to finance public and community housing is sometimes cited as a way of increasing stock without increasing the level of government funding. This Committee's 1997 report into housing assistance drew attention to a number of overseas countries, for example, the United Kingdom and the Netherlands, where private institutional investors are a significant source of funding for public and social housing.<sup>42</sup>

6.39 Recent CSHAs have encouraged the States to use Agreement funds for arrangements involving investment from the private sector into public housing. In

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36 *Submission* 163, p.145 (ACOSS).

37 *Australia's Welfare 2003*, p.188.

38 *Submission* 98, p.21 (BSL).

39 *Submissions* 166, p.22 (The Salvation Army); 77, p.6 (Melbourne Citymission); 144, p.12 (Tenants Union of Victoria).

40 *Submission* 102, p.17 (Shelter NSW); *Committee Hansard* 27.5.03, pp.455-57 (Shelter NSW).

41 *Committee Hansard* 27.5.03, p.460 (Shelter NSW).

42 Senate Community Affairs References Committee, *Report on Housing Assistance*, December 1997, p.80.

recent years there has been a trend towards greater involvement of the private sector in the provision of this form of housing. Indeed, one of the objectives under the 2003 CSHA is to 'promote innovative approaches to leverage additional resources into Social Housing, through community, private sector and other partnerships'.<sup>43</sup>

6.40 Several States have promoted greater private and community sector involvement in the area of public housing provision. In Victoria, the 2000-01 State Budget provided \$94.5 million over three years (2000-03) for the Social Housing Innovations Project. The aim of the Project is to develop joint housing ventures with local government bodies, non-government organisations and private sector companies. At June 2002, 66 such joint ventures had been announced across the State. Queensland is also looking at ways of using the community and private sectors in the provision of affordable housing. One example is the establishment of the Brisbane Housing Company, which procures homes in inner Brisbane to rent to people on low or moderate income. It is a 'partnership' arrangement between government, community groups and the private sector. Western Australia is also increasing the range of alternative housing solutions by expanding its community housing sector and bond assistance scheme, as well as maximising the ability of housing providers to access private investment. In 2000-01, private investments in public/community housing totalled \$450 000 compared to \$300 000 in 1999-2000.<sup>44</sup>

6.41 Some reservations were expressed with the concept of public-private partnerships. The Tenants Union of Victoria stated that while there were many theoretical models 'there is no real practical experience in the Australian context of that working'. The Tenants Union pointed to the experience of the redevelopment of the Kensington public housing estate in Melbourne's west, which was a public-private partnership between Becton and the Victorian Office of Housing, noting that 'the compromise that was required there to make that work was significant control for the developer around the nature of public housing, the nature of allocations of the residents of the estate – lots of qualifications that are around social engineering'.<sup>45</sup>

### *Conclusion*

6.42 The Committee believes that public and community housing provides a vital element in addressing the housing needs of some of the most disadvantaged people in the community, especially those with low incomes and those with special needs. The Committee is strongly supportive of continuing Commonwealth and State government funding for public housing. The Committee also believes that partnerships should be developed with the private sector to jointly finance public housing developments.

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43 Cited in *Australia's Welfare 2003*, p.161.

44 Housing Assistance Act 1996, *Annual Report 2000-01*, pp.40-61; *Annual Report 2001-02*, pp.39-68.

45 *Committee Hansard* 1.5.03, p.190 (Tenants Union of Victoria).

**Recommendation 17**

**6.43 That base funding arrangements for public housing be increased under the Commonwealth-State Housing Agreement.**

**Recommendation 18**

**6.44 That the Commonwealth and the States:**

- **increase funding for the maintenance of current housing stock;**
- **increase funding for new public housing stock; and**
- **develop strategies to increase investment from the private sector into public housing.**

***Rent assistance***

6.45 Commonwealth Rent Assistance (CRA) is designed to assist those on income support payments with housing affordability in the private rental market. It is a supplementary payment, payable in addition to most classes of income support payments to assist with private rental costs. In 2002-03, Commonwealth outlays on CRA to income support recipients was \$1.8 billion. There were 940 708 recipients of CRA (as at June 2003).

6.46 Despite significant Commonwealth outlays, evidence to the inquiry expressed concerns about the effectiveness of the CRA program in addressing the housing affordability problems experienced by people on low incomes.<sup>46</sup> A major concern was that a large proportion of people in receipt of CRA still experienced considerable housing affordability problems. Shelter NSW stated that CRA is not keeping up with rising rents in most capital cities and some regional areas.<sup>47</sup> FaCS data for December 2002, indicate that 34 per cent of CRA recipients spent more than 30 per cent of their income in rent and 9 per cent spent more than 50 per cent of their income on rent.<sup>48</sup> Similar figures were reported in the recent study by National Shelter and ACOSS referred to earlier in this chapter.

6.47 Concerns were also raised that CRA has no real effect on the supply of affordable housing in the private sector. The Tenants Union of Victoria commented that the decline in affordable housing stock across Australia has two features. It shows a decline in absolute numbers of low cost private rental at a time when the private rental market experienced strong growth overall, and it demonstrates that there is also

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46 *Committee Hansard* 30.4.03, p.50 (Centre for Public Policy); 27.5.03, p.457 (Shelter NSW). See also National Shelter & ACOSS, *Rent Assistance*, pp.18-19.

47 *Submission* 102, p.14 (Shelter NSW).

48 FaCS, *Annual Report 2002-03*, Vol. 2, p.107.

a problem for low income renters accessing low cost stock, as they are competing with other renters in the market.<sup>49</sup> Evidence also indicated that flexibility of location is often not provided. One witness, referring to the situation in NSW, commented that CRA 'does not provide people with flexibility as to location. People have to go where the poor housing is and strangely enough, low-cost housing is way out of the way of any jobs'.<sup>50</sup> The Queensland Government also noted that the private market for low income households is in decline – 'when combined with the decline in social housing, this inevitably means that an increasing number of households will face higher levels of housing stress and poverty'.<sup>51</sup>

6.48 Submissions argued that the Commonwealth's shift in funding priorities away from public housing programs to demand driven programs like CRA may be counter-productive in the longer term. As Table 6.1 indicates, Commonwealth expenditures on the CRA have increased substantially in real terms since the 1990s, whereas expenditures on the CSHA have declined over the same period. The Queensland Government stated that in fiscal terms, there is evidence that over the longer term, housing needs can be more efficiently addressed through capital based programs rather than recurrent programs as capital programs create a portfolio of dwellings that can assist many households over time. Furthermore, the portfolio can be realigned over time through upgrades, sales and new constructions to remain responsive to changing client profiles – 'in contrast, demand driven programs such as income supplements represent cash payments with no resulting asset and no capacity to provide ongoing assistance over the long term. The move towards income supplements may therefore ultimately result in greater costs to governments'.<sup>52</sup>

6.49 Equity issues were also raised in relation to CRA, as it only assists some income support recipients and only those in the private rental market. People experiencing hardship purchasing a home are not assisted, nor are low income working households assisted with private rental costs. Some witnesses argued that CRA should be extended to these groups.<sup>53</sup>

6.50 Despite the criticisms of the program, several groups acknowledged that CRA does assist private renters with the cost of rental accommodation, at least to some degree.<sup>54</sup> It was also argued that CRA needs to be increased to keep pace with rent

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49 *Submission* 144, p.9 (Tenants Union of Victoria). See also *Submission* 166, p.22 (Salvation Army).

50 *Committee Hansard* 27.5.03, p.457 (Shelter NSW).

51 *Submission* 129, p.35 (Queensland Government). See also *Submission* 185, p.26 (Tasmanian Government).

52 *Submission* 129, p.35 (Queensland Government).

53 *Submission* 144, p.9 and *Committee Hansard* 1.5.03, p.182 (Tenants Union of Victoria).

54 See, for example, *Submission* 144, p.9 (Tenants Union of Victoria).

increases.<sup>55</sup> A major concern, however, related to the possibility that increases in CRA would result in landlords 'creaming off' the increase by putting rents up as soon as CRA was increased with the result that there would be no improvement in affordability for low income renters. This concern was not necessarily supported by evidence that suggests that increases in CRA have not led to corresponding increases in rents. Data from FaCS indicates that from June 2000 to June 2002, average CRA payments increased by 16 per cent, while average rents for CRA recipients increased by 12 per cent. By comparison the CPI increased by 9 per cent in the two years to March 2002.<sup>56</sup>

6.51 A review of CRA was called for in a number of submissions. The Tenants Union of Victoria argued that such a review should address the effectiveness of CRA as a housing program in improving affordability and access; the cost of the program; the relationship of CRA to income support and to the private rental market; and the eligibility criteria.<sup>57</sup>

### *Conclusion*

6.52 The Committee is concerned at the Commonwealth Government's shift in policy emphasis from social housing to CRA, especially as this policy shift has not addressed affordability and access issues for low income people attempting to rent in the private market. The Committee believes that the overall operations of CRA, especially in relation to access and affordability for low income households, should be reviewed as part of the Committee's recommendation for a national housing strategy.

### ***Private investment in low-cost housing***

6.53 A number of submissions argued that the Commonwealth should develop strategies to increase the level of private finance directed to providing affordable housing for low income earners. There are a range of schemes that have been proposed but these were not canvassed in any detail during the inquiry.<sup>58</sup> SACOSS suggested the introduction of tax credit arrangements for investment in low-cost housing.<sup>59</sup> It was also emphasised that initiatives in this area should be in addition to a commitment by governments to maintain a viable social housing sector.

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55 *Submission 46*, p.25 (SACOSS); *Submission 98*, p.ix (BSL).

56 FaCS, *Annual Report 2001-02*, Vol. 2, p.111. See also *Senate Report on Housing Assistance*, p.40.

57 *Submission 144*, p.10 (Tenants Union of Victoria).

58 *Submissions 163*, p.146 (ACOSS); *166*, p.22 (Salvation Army).

59 *Submission 46*, p.25 (SACOSS).



### ***Home ownership***

6.54 Submissions argued that there should be greater encouragement for low income households to purchase their own homes. The Tenants Union of Victoria argued that home ownership remains the most cost-effective housing tenure for all households. It is the only tenure that ensures that housing costs reduce over the lifetime of the household, as purchasers pay out their mortgages and secure a substantial asset as a result.<sup>60</sup> The Tasmanian Government offers assistance for home ownership by providing access to finance through its Home Ownership Assistance Program (HOAP) and equity grants to assist public housing tenants to purchase their homes. Eligibility under the HOAP is restricted to those earning \$700 per week or less and the maximum loan is set at \$80 000.<sup>61</sup>

6.55 The Commonwealth's First Home Owner Grant (FHOG), which provides a non-means tested grant to eligible first homebuyers, was criticised by some groups, essentially because of the untargeted nature of the program. It was also argued the FHOG may have simply assisted households who would have purchased a home anyway to do so earlier, rather than providing a genuine opportunity for low income households to buy a home.<sup>62</sup> Some submissions argued that the scheme should be replaced with a subsidy for social and low cost housing.<sup>63</sup>

### ***Tenants' rights and tenancy databases***

6.56 A number of concerns were expressed during the inquiry that the rights of tenants were being undermined by the increasing abuse of residential tenancy databases by real estate agents. Concerns included inappropriate listings, unfair or poor database operating practices and privacy concerns. The Tenants Union of Victoria stated that:

The difficulty with those databases is that they still operate in a largely unregulated environment. The information exchange is not subject to the scrutiny that it should be to ensure that at least, if it is about management of risk on the part of lessors, there is not unnecessary discrimination against tenants. What we would certainly see as necessary is greater regulation of those databases.<sup>64</sup>

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60 *Submission* 144, p.11 (Tenants Union of Victoria); *Committee Hansard* 1.5.03, p.188 (Tenants Union of Victoria).

61 *Submission* 185, p.26 (Tasmanian Government).

62 *Submission* 144, pp.11-12 (Tenants Union of Victoria); *Committee Hansard* 27.5.03, pp.460-61 (Shelter NSW).

63 See, for example, *Submission* 46, p.25 (SACOSS).

64 *Committee Hansard* 1.5.03, p.191 (Tenants Union of Victoria). See also *Submission* 53, pp.6-7 (Queensland Shelter – North Queensland Branch).

6.57 Residential tenancy databases are lists of tenants who real estate agents believe to be bad tenancy risks. Real estate agents who subscribe to a tenancy database can use the database to check the names of prospective tenants, or to list details of tenants they believe are a bad tenancy risk. A number of tenancy databases operate in Australia – these include the Tenancy Information Centre Australasia (TICA), RP Data, Remington White and Tenant Reference Australia.

6.58 Tenants may be listed on a tenancy database for a range of reasons. For example, the TICA website lists a range of potential breaches including rental arrears or breaking a lease; poor periodic inspections; or dishonoured cheques. The website also explains how long tenant details will remain on the database. Tenants who allegedly breach their tenancy agreement but who do not have a debt are listed for 3 years. If a tenant has an alleged debt their name remains on the database until the debt is paid. When a debt is cleared this is noted on the TICA database but the tenant's personal details will remain on the database for a further 5 years.<sup>65</sup>

6.59 A particular concern raised during the inquiry was that some people had problems accessing rental accommodation after being placed on tenancy databases.<sup>66</sup> One witness stated that '...discrimination is a significant part of the private rental market, so what tends to happen is information can very quickly be used to exclude someone from housing'.<sup>67</sup> A Queensland Government report found that there is a very real risk that any adverse database listing will render it difficult for a tenant to secure appropriate private rental accommodation. This is particularly so if the rental market is experiencing a period of low vacancy and competition for accommodation is high.<sup>68</sup>

6.60 The Tenants Union of Queensland cited a number of concerns with tenancy databases. These include:

- There are currently no requirements on database operators to verify information listed on the database. Tenants can therefore be listed for trivial or retaliatory reasons.
- Real estate agents and database operators have no legal obligation to notify tenants that they have been listed on a tenancy database.
- Tenants do not have an automatic right to access, change or delete information on the database. If tenants want to dispute a listing they must

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65 [www.tica.com.au](http://www.tica.com.au)

66 *Committee Hansard* 29.4.03, p.56 (Shelter SA).

67 *Committee Hansard* 1.5.03, p.191 (Tenants Union of Victoria).

68 Report of Special Government Backbench Committee, *Tenancy Databases*, August 2002, p.9.

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negotiate with the agent who listed them. Only the listing agent has the power to remove, delate or amend information on tenants.<sup>69</sup>

6.61 Database operators and real estate agents have respective responsibilities for the collection, use and disclosure of data under the provisions of the *Privacy Act 1988* and must comply with the National Privacy Principles that cover the fair handling of private information. The Tenants Union of Queensland claimed, however, that database operators often fall short of the voluntary standards.<sup>70</sup>

6.62 There have been calls for a co-ordinated approach in the development of national guidelines applicable to the operation of tenancy databases. A Queensland Government Backbench Committee argued that a national approach was the most desirable outcome for both tenants and the industry through the application of national standards, possibly by way of template legislation. The Committee suggested that a mechanism to achieving national standards could be through respective Ministerial Councils as well as the convening of a forum as a starting point for a national working group of relevant Commonwealth and State departmental officers. The Committee argued that with the development of national databases, together with the mobility of the Australian population, individual State responses will be less effective and equitable than a national response.<sup>71</sup> The Real Estate Institute of Australia has also called for the development of national guidelines governing the operation of tenancy databases. The Institute stated that 'consumers have a right to know what information about them is kept on a database and to have information corrected swiftly if information is inaccurate on any database kept by a database operator or agent'.<sup>72</sup>

6.63 In December 2003 the NSW Government released draft regulations to ensure the fairer use of tenancy databases by real estate agents in NSW. The draft regulations provide that an agent must notify a tenant that they are going to be listed on a tenancy database; tenants are to be given a reasonable opportunity to review and correct information which will be listed; a tenant can only be listed on a database for specified reasons, such as owing rent exceeding the rental bond; an agent must notify a database operator within 7 days after becoming aware that a debt listed on that database has been paid; and an agent can only use a database if the database provides tenants with free access to information about themselves, amends inaccurate, out of date or incomplete information without charge to the tenant, and deletes listings within certain

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69 [www.tuq.org.au](http://www.tuq.org.au). See also *Submission 53*, pp.6-7 (Queensland Shelter - North Queensland Branch).

70 [www.tuq.org.au](http://www.tuq.org.au)

71 Report of Special Government Backbench Committee, pp.6-10.

72 REIA, 'Tenancy databases: REIA calls for co-ordinated government approach', *Media Release*, 21.1.03.

specified periods of time. It is proposed that the new laws will come into effect in May 2004.<sup>73</sup>

6.64 The Committee notes that the Commonwealth Attorney-General announced in August 2003 the establishment of a joint working group involving the Standing Committee of Attorneys-General and the Ministerial Council on Consumer Affairs to examine issues surrounding tenancy databases.<sup>74</sup> Specifically, the working group will report on the role and operation of these databases; examine the existing framework for regulating the use of databases with regard to issues relevant to tenants, database operators, real estate agents and landlords; and develop, where necessary, options for a nationally consistent framework.<sup>75</sup> The working group is due to report in June 2004. The Committee supports the aims of this review and considers that a national approach to residential tenancy databases is urgently needed.

### **Recommendation 19**

**6.65 That, in supporting the current review being undertaken by the working group into residential tenancy databases, the Commonwealth Government, in co-operation with the States, develop national guidelines as a matter of priority in relation to the operation of tenancy databases.**

#### *National housing strategy*

6.66 Evidence to the inquiry indicated that the Commonwealth should play a key role in co-ordinating a process to advance national housing outcomes, and in particular, to respond to the emerging crisis in the supply of affordable housing for low income groups. It was argued that there was a need for the development of a national housing strategy as part of this process. The Queensland Government stated:

Currently, there is no national housing policy framework. On the contrary, there is a divergence between the Commonwealth and State/Territory housing policy directions. An agreed policy framework and funding priorities...would maximise the use of public funds and deliver improved housing outcomes for those most in need.<sup>76</sup>

6.67 The Tenants Union of Victoria also pointed to the need for a coordinated and strategic policy approach at the Commonwealth level – 'current housing policy

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73 NSW Office of Fair Trading, 'Proposed tenant database laws', *Media Release*, 23.12.03.

74 Commonwealth Attorney-General, 'Working Group to Examine Tenancy Database Privacy', *News Release*, 8.8.03.

75 Ministerial Council on Consumer Affairs, *Residential Tenancy Databases – Issues Paper*, November 2003, p.2.

76 *Submission 129*, p.35 (Queensland Government).

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initiatives are dispersed across departments and Ministers, leading to a lack of strategic focus, and minimising the potential for effective outcomes'.<sup>77</sup>

6.68 ACOSS argued that such a strategy should be developed with the aim of ensuring that all households have access to appropriate and affordable housing, particularly low income households. The elements of the strategy would include specific strategies to achieve growth in the supply of affordable housing through both public and private investment, rental and home ownership; an increase in the supply of public housing; development of housing affordability measures; and addressing discrimination issues, including the development of core principles for good private rental market management and monitoring of residential tenancy databases.<sup>78</sup> Submissions emphasised that the strategy needed to be developed in consultation with State Governments, community housing providers, the construction industry and the finance sector.<sup>79</sup>

### *Conclusion*

6.69 The Committee is strongly of the view that the Commonwealth needs to take a co-ordinating role, in consultation with the States and other key stakeholders, in the development of a national housing strategy. This strategy should aim to ensure that low income and disadvantaged households, in particular, have access to appropriate and affordable housing.

### **Recommendation 20**

**6.70 That the Commonwealth Government develop a national housing strategy in consultation with key stakeholders including State Governments, community housing providers, the construction industry and the finance sector; and that this national strategy involve:**

- **the development of specific strategies to achieve growth in the supply of affordable housing through both public and private investment, particularly for low income groups;**
- **a review of the effectiveness of Commonwealth Rent Assistance in providing affordability and access to the private rental market; and**
- **a review of the relative funding priorities in relation to social housing and Commonwealth Rent Assistance.**

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77 *Submission 144*, p.12 (Tenants Union of Victoria).

78 *Submission 163*, p.147 (ACOSS).

79 *Submission 98*, p.ix (BSL).



## CHAPTER 7

### EDUCATION AND TRAINING

*Education is fundamentally important to the life chances of individuals and plays a key role in social and economic mobility from generation to generation.<sup>1</sup>*

7.1 Education and training are critical pathways into employment and social participation and a means of escaping poverty. Education is also critical to creating economic growth, generating higher standards of living and creating the basis of a socially cohesive society:

Education is absolutely crucial in terms of future employment. People with low levels of education are more likely to be unemployed and to be unemployed for longer. But a good education also leads to the development of personal strengths, personal skills and self-esteem, which develops resilience throughout the whole life course and cannot be underestimated in its importance.<sup>2</sup>

7.2 The relationship between education and poverty is 'one of double jeopardy: not only are the poor unlikely to participate in all levels of the education system to the same extent as the advantaged, but their experience in education is less likely to result in favourable outcomes'.<sup>3</sup> This 'double jeopardy' perpetuates the cycle of poverty.

7.3 This chapter discusses the impact of poverty on educational attainment and the means to improve educational outcomes for low income students.

#### **The relationship between education and poverty**

7.4 There is much evidence that clearly demonstrates the impact of poor educational attainment on the risk of poverty. Table 7.1 shows that poverty rates among those aged 15 years and over decline sharply as educational qualifications increase, with the risk among those with university education being less than half that for those with no post-secondary qualifications.

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1 *Submission 108*, p.6 (AEU).

2 *Committee Hansard 30.4.03*, p.68 (Anglicare Victoria).

3 Foster L & Hawthorne L, 'Poverty, Education and Training', in Fincher R & Nieuwenhuysen J, *Australian Poverty: Then and Now*, Melbourne University Press, 1998, p.204.

**Table 7.1: Estimated poverty rates by highest education qualification for persons aged 15 and over (using half average income)**

	1990	1995	1996	1998	2000
No post secondary qualifications	12.1	12.2	13.0	13.6	14.7
Still at school	14.2	11.9	16.0	16.1	14.0
Diploma, certificate, trade qualifications	8.7	9.8	10.2	10.6	10.5
Bachelor degree or higher	6.0	7.4	6.8	8.1	6.0

*Source: Harding, Lloyd & Greenwell, p.14.*

7.5 While poverty rates for graduates have remained fairly constant in the 1990s, those with no post-secondary school qualifications have seen their poverty risk increase from 12.1 to 14.7 per cent.<sup>4</sup> The high risk of poverty for people who leave school early and/or who do not acquire further education is due to the restricted employment opportunities available to those without qualifications and the greater risk of unemployment. As ACOSS noted, over the last decade, there has developed 'a labour market where secure full-time jobs are increasingly being rationed to those with the highest skills...people with limited formal education and vocational training are disadvantaged'.<sup>5</sup>

7.6 The restructuring of the labour market, the shift to a professionalized economy and emergence of the 'new economy' have had significant impacts on the level of skill required by employers. Employers are demanding higher skill levels to meet the challenges of changes in technology, relevant personal attributes and the capacity to be quickly productive. Even at entry level, many jobs now require higher levels of educational attainment with year 12 completion now being considered as a basic requirement.

7.7 At the same time there has been a shift away from unskilled or semi-skilled work with these jobs becoming increasingly scarce. The Queensland Government, for example, noted that skilled employment rose from 38 per cent of total employment in 1980 to around 58 per cent in 2000.<sup>6</sup>

7.8 Low educational attainment and lack of training is also reflected in unemployment rates. In 2002, people who have not completed secondary school had

4 Harding A, Lloyd R, & Greenwell H, *Financial Disadvantage in Australia 1990-2000: The persistence of poverty in a decade of growth*, Smith Family, 2001, p.14.

5 *Submission 163*, p.118 (ACOSS).

6 *Submission 129*, p.10 (Queensland Government).



an unemployment rate of 6.2 per cent, while people with a bachelor degree had an unemployment rate of 4 per cent.<sup>7</sup> In addition, those who have not completed secondary school have a much higher likelihood of becoming long-term unemployed once they are unemployed.<sup>8</sup>

**Table 7.2: Level of highest education attainment of people aged 15-64 years, by labour force status, 2002<sup>a b</sup>**

<i>Labour status</i>	<i>force</i>	<i>Unit</i>	<i>Bachelor degree or higher</i>	<i>Advanced diploma/ diploma</i>	<i>Certificate III or IV</i>	<i>Certificate I, II or nfd</i>	<i>Year 12</i>	<i>Year 11 or below</i>	<i>Total<sup>c</sup></i>
Employed		%	85.5	78.5	83.1	61.8	71.1	56.5	70.3
Unemployed		%	2.4	4.0	3.6	8.4	5.4	6.2	4.8
Not in labour force		%	12.1	17.6	13.3	29.8	23.6	37.3	24.9
<b>Total</b>		'000	<b>2 296.1</b>	<b>949.4</b>	<b>1911.1</b>	<b>129.7</b>	<b>2565.7</b>	<b>4 954.0</b>	<b>12806.0</b>

**a** At May. **b** School year estimates include some people with certificate I & II qualifications.

**c** Includes people who never attended school & those whose highest level of educational attainment could not be determined.

nfd = not further defined

*Source: Report on Government Services 2004, p.B.16*

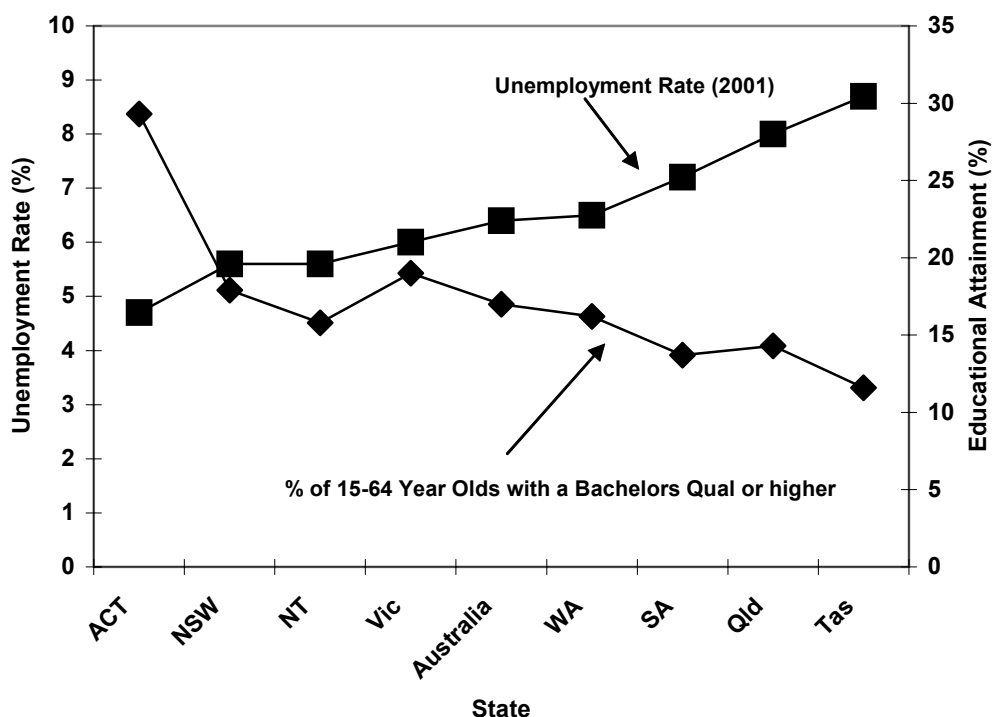
7.9 Studies by the Business Council of Australia reveal the long-term impact of leaving school early. The Council found that seven years after leaving school, approximately 7 per cent of those who completed year 12 were unemployed. But for early school leavers, unemployment is a likely prospect: after seven years, 21 per cent of young men who left school in year 9 were unemployed; and 59 per cent of young women who left in year 9 were also unemployed.<sup>9</sup>

7.10 While completing school provides some protection from poverty, those who obtain tertiary level qualifications are least likely to be unemployed and at a risk of poverty. The attainment of tertiary level qualifications and the impact on employment was illustrated by the National Tertiary Education Union (NTEU). Figure 1 shows that those Australian States and Territories with the highest levels of educational attainment have lower unemployment rates and a higher proportion of the population earning above average incomes.

7 SCRGSP (Steering Committee for the Review of Government Service Provision), *Report on Australian Government Services 2004*, Productivity Commission, p.B.16.

8 *Submission 163*, p.118 (ACOSS).

9 *Submission 169*, Attachment 1, pp.8-9 (Mission Australia).

**Figure 1: Educational Attainment and Unemployment Rates**

Source: *Submission 178*, p.4 (National Tertiary Education Union).

7.11 The data clearly shows the negative relationship between educational attainment and the unemployment rate and that 'while it might be argued that people with higher educational qualifications are more mobile and prepared to move to those States with the best employment opportunities for graduates (which probably explains the ACT's outcome) there is little ambiguity that there is strong negative association between the unemployment rate and higher education attainment'.<sup>10</sup>

7.12 Studies of earnings provide a further measure of the impact of educational attainment. ACOSS indicated that on average, completing 12 years of education or a TAFE qualification raises people's earnings by around 10 per cent, while tertiary qualifications boost earnings by around 40 per cent.<sup>11</sup>

7.13 The Department of Family and Community Services (FaCS) also provided details of outcomes for those with different levels of educational attainment. This reinforces the evidence received by the Committee and clearly indicated the impact on earnings: in 1997-98, those with a degree or higher earned \$946 per week while those with less than year 12 earned \$602 per week.<sup>12</sup> The NTEU added that data shows a

<sup>10</sup> *Submission 178*, p.3 (NTEU).

<sup>11</sup> *Submission 163*, p.119 (ACOSS).

<sup>12</sup> *Submission 165*, p.19 (FaCS).

strong association between educational attainment and average income levels in the States and Territories. For example, Tasmania with 11.6 per cent of the population holding a bachelor degree has the lowest Average Weekly Earnings in Australia of \$788.8, while NSW, with 17.9 per cent of bachelor-holders, has AWEs of \$901.6.<sup>13</sup>

7.14 It is clear from this discussion that educational attainment is a significant factor in determining the risk of poverty faced by an individual. It is also clear that those living in poverty experience poor educational outcomes. Studies of literacy and numeracy levels and retention and participation rates provide an indicator of the impact of poverty on educational outcomes.

### ***Literacy and numeracy***

7.15 Achievement in literacy and numeracy are of crucial importance to a young person's educational outcome and consequently their chance of completion of secondary school, entry to university or to TAFE. In each case those with low attainment experienced strong disadvantage.<sup>14</sup> For example, research found that literacy and numeracy achievement in year 9 has the strongest influence on tertiary entrance performance.<sup>15</sup> Achievement in literacy and numeracy has also been linked to a range of labour market outcomes:

Making a successful transition from school to full-time employment, the type of occupation obtained, and earnings are positively related to literacy and numeracy. Conversely, persons with lower literacy and numeracy levels are more likely to be outside the labour force or unemployed, and to experience longer periods of unemployment...The demands in the workplace for, and rewards associated with, increasing levels of literacy and numeracy are likely to continue due to factors such as globalisation, technology change, and changes in employment and work organisation.<sup>16</sup>

Literacy and numeracy are also essential for effective communication and participation in society.

7.16 Australian school children generally perform well in international comparisons of literacy and numeracy, with the exception of Indigenous students. However, it was found that in Australia the gap between those achieving the highest level and those at

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13 *Submission 178*, p.4 (NTEU).

14 Travers P, 'Inequality and the futures of our children', in Fincher R & Saunders P, *Creating unequal futures? Rethinking poverty, inequality and disadvantage*, Allen & Unwin, 2001, pp.123-24.

15 Smyth C, Zappala G & Considine G, 'School to adult life transitions through work and study: A select review of the literature', Background Paper No. 4, Smith Family, p.5.

16 Rothman S & McMillan J, 'Influences on Achievement in Literacy and Numeracy', Longitudinal Surveys of Australian Youth, Research Paper 36, ACER, October 2003, p.2.

the lowest level was amongst the largest.<sup>17</sup> The Australian Education Union (AEU) concluded:

[The OECD] study also again emphasised the link between socio-economic background and achievement. The conclusion is clear. Both equity and the national interest require public policy to be directed towards improving the performance of those with lower achievement. These are generally those from poor financial backgrounds and they are predominantly attending public schools.<sup>18</sup>

7.17 A survey conducted in 1996 by the then Department of Education, Training and Youth Affairs provided data by subgroups. The results for reading in Table 7.3 clearly show the impact of socio-economic status.

**Table 7.3: Results of sample reading standards, 1996**

	<b>Percentage not meeting the standard</b>
<b>Year 3</b>	
Total of sample	27
Language background other than English	38
High socio-economic background	12
Medium socio-economic background	28
Low socio-economic background	38
<b>Year 5</b>	
Total of sample	29
Language background other than English	44
High socio-economic background	13
Medium socio-economic background	29
Low socio-economic background	53

*Source: Literacy Standards in Australia, DETYA*

7.18 Research on numeracy also indicates that socio-economic background has an influence. Persons from lower socioeconomic backgrounds display lower than average

17 The Program of International Student Assessment (PISA) survey conducted by the OECD. *Submission 108*, p.8 (AEU).

18 *Submission 108*, p.8 (AEU).

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numeracy achievement in all levels of school from kindergarten to the final year of secondary school and into adulthood.<sup>19</sup>

7.19 In April 1999 the Commonwealth, State and Territory Education Ministers endorsed new National Goals for Schooling. In relation to literacy and numeracy it was agreed that when students leave school they should have:

attained the skills of numeracy and English literacy; such that, every student should be numerate, able to read, write, spell and communicate at an appropriate level.

To help support the achievement of the National Goals, a National Literacy and Numeracy Plan was endorsed calling for a coordinated approach to improving literacy and numeracy standards and consisting of key inter-related elements. The development of benchmarks and the reporting of nationally comparable benchmarking data are important parts of the National Plan.

7.20 The benchmarking results for literacy and numeracy are reported in the annual National Reporting on Schools, though results are not currently provided by socioeconomic status. However, work is being undertaken so that disaggregated reporting (including by socioeconomic background) will be implemented in time for the 2005 school year.<sup>20</sup>

### ***Retention and participation rates***

7.21 Retention and participation rates of students from low income families show the impact of poverty. Beyond the compulsory school age of 15 years (16 in Tasmania) retention rates fall. Government policy since the 1980s at both the Federal and State and Territory level has been directed at improving school retention rates and there have been improvements in retention rates to year 12. In 1985, year 12 retention rates were 46.4 per cent. The rate rose significantly throughout the 1990s to 70 per cent in 1997 and 75.4 per cent by 2001.<sup>21</sup>

7.22 Following difficulties with the measure of retention rate, the Commonwealth developed a method for estimating the proportion of students who complete year 12. In 2002, year 12 completion rates in Australia were around 69 per cent. This varies across jurisdictions with the Northern Territory having a year 12 completion rate of only 41 per cent.

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19 Rothman & McMillan, p.5.

20 [www.dest.gov.au/schools/literacy&numeracy/](http://www.dest.gov.au/schools/literacy&numeracy/). Additional Information, Department of Education, Science and Training, 24.2.04.

21 Yenchen D & Porter L, *A Just and Sustainable Australia*, Melbourne, September 2001, p.26; SCRGSP, p.3.32.

7.23 Disaggregation of completion rates by socioeconomic status clearly show marked variations from low to high socioeconomic status. Completions by students from low socioeconomic backgrounds (63 per cent) are significantly lower than for students from high socioeconomic backgrounds (80 per cent). Rates for low socioeconomic completions ranged from 71 per cent in Queensland to 18 per cent in the Northern Territory.

**Table 7.4: Year 12 estimated completion rates, by socioeconomic status and gender, 2002 (per cent)<sup>a b</sup>**

	NSW	VIC	QLD	WA	SA	TAS	ACT <sup>c</sup>	NT <sup>d</sup>	AUST
<i>Low socioeconomic status deciles</i>									
Male	57	57	65	45	49	55	..	15	56
Female	70	71	77	54	68	75	..	22	79
All students	63	64	71	49	58	65	..	18	63
<i>High socioeconomic status deciles</i>									
Male	74	75	78	78	80	86	76	<b>Na</b>	76
Female	80	88	80	84	95	95	83	<b>Na</b>	84
All students	77	81	79	81	87	90	79	<b>Na</b>	80
<i>Total</i>									
Male	61	64	69	59	69	64	75	36	63
Female	72	79	76	69	79	82	81	47	75
All students	66	71	73	64	69	73	78	41	69

**a** The ABS IRSD has been used to calculate socioeconomic status on the basis of students' home addresses. Low SES is average of three lowest deciles and high SES is average of three highest deciles. **b** Data are estimates only. **c** ACT has only medium and high SES deciles. **d** Small increases in estimated resident population can cause significant fluctuations in the data. As a result, high SES rates for the NT are unreliable and have been combined with medium SES rates. **na** – Not available.. Not applicable

*Source: Report on Government Services 2004, p.3.49.*

7.24 Year 12 completion rates show that males are more likely to leave school early. There is a difference in male and female completion rates by location with male completion rates being 20 per cent lower than females in 'other rural and remote' areas and 10 per cent lower in capital cities. This is, in part, explained by the fact that males are more likely than females to leave school to do an apprenticeship. Completion rates were higher in capital cities than other areas.<sup>22</sup>

7.25 VCOSS also stated that the rate of early school leavers 'is particularly high in Victorian metropolitan areas of low socio-economic status: 30 per cent for girls and more than 40 per cent for boys'.<sup>23</sup> Other research indicates that the percentage of male non-completers from lower socioeconomic backgrounds had increased from 35 per cent to 44 per cent between the early 1980s and the mid 1990s.<sup>24</sup>

7.26 Indigenous youth, truants and homeless youths, and young people born in Australia are almost twice as likely to leave school early compared to those born outside Australia.<sup>25</sup> Students are also more likely to leave school early if their parents lack tertiary education, if their parents work in semi-skilled or unskilled manual occupations, and if their parents' incomes are relatively low. Government schools have a higher rate of early school leavers than do non-government schools.

7.27 Some students who leave school early proceed to other educational options. However, a large number of young people who leave school early do not proceed to further training or education. For example, of those who left school in the year to May 2002, 67.8 per cent of year 12 leavers went on to post-school education and training and only 31.0 per cent of early school leavers undertook further study.<sup>26</sup>

7.28 The number of students entering higher education has expanded; however, the proportion of people from lower socioeconomic backgrounds has remained stable over the last decade. In 1991, 14.7 per cent of domestic students were identified as people from lower socioeconomic backgrounds. In 2001, the participation rate was similar, 14.6 per cent. This is well below the defined population reference point of 25 per cent.<sup>27</sup> There is also evidence of a similar trend in participation in vocational education, albeit less sizable.<sup>28</sup>

## **Conclusion**

7.29 There is clear evidence that improving educational attainment protects against the risk of poverty with the risk of poverty for those with a university qualification being less than half that for those with no post-secondary qualification. Literacy and numeracy is a key indicator of the likelihood of a person completing school and moving on to gain a post-secondary qualification. Students from low socioeconomic

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23 *Submission 118*, p.15 (VCOSS).

24 James R, *Socioeconomic Background and Higher Education Participation: An analysis of school students' aspirations and expectations*, DEST, April 2002, p.6.

25 Smyth et al, p.5.

26 *Report on Australian Government Services 2004*, p.B.10.

27 Senate Employment, Workplace Relations and Education References Committee, *Hacking Australia's future*, November 2003, p.60.

28 James, p.7.

backgrounds still lag behind in this area, to their great disadvantage. The Committee considers that it is imperative that students at risk of poor outcomes be identified and additional funds be made available to improve their literacy and numeracy skills.

### **Recommendation 21**

**7.30 That the Commonwealth work with State and Territory education departments to identify those students who are at most risk of poor literacy and numeracy attainment and provide additional funding to enhance literacy and numeracy programs so as to meet the national literacy and numeracy goals.**

### **Recommendation 22**

**7.31 That the National Report on Schooling in Australia provide the results of literacy and numeracy benchmarking by socioeconomic group.**

7.32 There have been significant improvements in both year 12 completion rates and participation in post-school education. However, there remains worrying evidence that students from lower socioeconomic backgrounds are failing to move into higher education and training. Of most concern is the large number of teenage boys who fail to complete year 12.

7.33 The following discussion looks at each of the three stages of education – early childhood education, school and post-school – and what role poverty plays in reinforcing educational disadvantage.

### **Poverty and early childhood education**

7.34 The impact of poverty on education starts early and is exhibited in many ways. For example, research indicates that poverty in early childhood can lead to impaired cognitive development.<sup>29</sup> Behavioural difficulties, isolation and exclusion can be found in pre-school age children from low income families. The Committee received evidence of many factors that contribute to this, ranging from family conflict to financial stress which impacts directly and indirectly on children through their parents' experiences and behaviour. Young children from low income families may not have access to educational toys or books. Parents may not read to their children because they do not have the time or the ability. As a result children from low income families are not prepared for the important transition from home to school and are therefore at risk of having a poor experience from their first encounter of school. This may continue to colour their experience of school for many years.

7.35 The barriers that many children from low income families face can be overcome and access to early childhood education can have a significant and lasting impact on outcomes for children. QCOSS stated that 'early schooling can contribute by helping

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29 McClelland A, 'No child...' *Child poverty in Australia*, Brotherhood of St Laurence, 2000, p.16.



overcome the initial handicaps of poverty or a disadvantaged social or cultural environment...Foundation skills for social and economic participation are developed from early childhood and throughout the school years'.<sup>30</sup>

7.36 The AEU also pointed to research findings which stated:

preschool has a positive effect on intellectual and social skills, independent of background, when centres provide quality in terms of physical surroundings and adult/child interactions;

preschool improves children's ability to think and reason as they enter school, enabling them to learn more in the early grades. Even if the IQ advantage fades (this was not conclusive), their learning accumulates and their success keeps them 'on track' toward high school completion;

for children from very deprived socioeconomic backgrounds, preschool makes a difference in intellectual progress and the acquisition of positive attitudes and motivation to succeed in school.<sup>31</sup>

7.37 Mission Australia put a very strong view in support of early intervention:

Mission Australia is convinced that the development of adequate early intervention and prevention strategies available at the known steps of social and economic disadvantage and at significant life transition points would significantly reduce the impact of poverty for many Australians.<sup>32</sup>

7.38 While attendance at preschool is recognised as important in preparing children for school, not all Australian children attend preschool. In 2002-03, the attendance at preschool in the year immediately before commencing school was high (83.5 per cent). However, only around 17 per cent of children aged 3 years attended preschool in that year.<sup>33</sup> Research indicates that those not attending are often from disadvantaged families and regions.<sup>34</sup>

7.39 NCOSS argued that 'universal access to early childhood education is vital'. This view was supported by many witnesses who pointed to the need to improve access to early education so that children are ready for, and can participate fully in, formal primary schooling. However, there is a lack of a consistent approach across the States and Territories to early childhood education, particularly the funding and cost of services. In some States, preschool education is not part of the public school system

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30 *Submission 160*, p.8 (QCOSS).

31 *Submission 108*, p.9 (AEU).

32 *Committee Hansard 4.8.03*, p.1215 (Mission Australia).

33 *Report on Australian Government Services 2004*, pp.14.9-10.

34 *Submissions 108*, p.9 (AEU); *163*, p.121 (ACOSS).

and fees are imposed. This results in large differences in affordability across the country, with hourly fees ranging from as little as 28 cents in the Northern Territory to \$1.95 in NSW in 1999-2000.<sup>35</sup>

7.40 NCOSS stated that the differences in affordability are largely explained through differences in the level of investment by State and Territory Governments. Quoting from the NSW Commission for Children and Young People, NCOSS submitted:

NSW invests a total of \$150.90 per child for child care and preschool, comparing unfavourably with the average investment made by other States and Territories of \$350.74. While this can partially be explained by the fact that NSW has not taken the initiative of providing a free year of preschool for all 4 yr olds, NSW also contributes considerably less to other forms of child care per child than a number of other States and Territories do.<sup>36</sup>

7.41 It was also noted that Australia has lower than average rates of expenditure on preschool education, spending 0.1 per cent of GDP compared to the OECD average of 0.4 per cent.

7.42 NCOSS concluded, 'unless the level of state and territory expenditure in key areas such as early childhood education is monitored and influenced, the capacity of the Commonwealth to alleviate poverty through taxation and Centrelink payments will be hampered. Just as there are National Goals for Schooling, it is time to adopt national goals for preschool education'.<sup>37</sup> Another researcher went further and stated:

No doubt the weakness of early learning in Australia undermines universal student achievement and fosters an 'underclass' of students who are less likely to benefit from education in the later years. By rendering early learning more dependent on private finance and private cultural resources than is the case in most other OECD countries, it magnifies the potential for social difference in educational attainment.<sup>38</sup>

7.43 For many children from disadvantaged backgrounds, the attendance at preschool may not be enough to ameliorate the impact of poverty. Many organisations provide early intervention programs which have a broader approach. One such program, the Queensland Pathways to Prevention Program provided by Mission Australia, is aimed at preschool age children, their families, schools and community. The Program is designed to help children make a successful transition from home to school. A suite of early intervention programs have been developed and implemented within a

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35 *Submissions* 133, p.6 (UnitingCare Australia); 143, p.5 (NCOSS).

36 *Submission* 143, p.5 (NCOSS).

37 *Submission* 143, p.5 (NCOSS).

38 Marginson S, *Pathways to Failure: The Educational Disadvantage of Children from Low-income Families*, The Ronald Henderson Research Foundation, Monash University, 2002, p.10.

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community development framework in a highly disadvantaged community in Brisbane. Approximately 300 children took part in the project in 2002.

7.44 The project attempts to increase knowledge, improve skills and build resilience in the community. One component of the program, the Family Independence Program, aims to create a stimulating home environment that is harmonious and conducive to learning through the provision of culturally sensitive services. School based programs aim to enhance children's communication and social skills and to build strong, equitable relationships between families and schools that empower parents to participate actively in their children's education.

7.45 Mission Australia indicated that the project had made very good headway in working towards reduction of risk factors leading to abuse and neglect. There has been a reduction in childhood behaviour problems; it has improved parenting skills; it has strengthened community networks and achieved better outcomes for children and families in accessing other services, and generally, it has improved the integration of early childhood, child protection and family support services in the local area. School outcomes show improvement in language and skills of participating children.<sup>39</sup>

7.46 Governments have also targeted early childhood. FaCS stated that the establishment of a Task Force on Child Development, Health and Wellbeing recognised the importance of early childhood and the need to address children's issues coherently across many different parts of the Commonwealth. The Task Force will oversee the development of a National Agenda for Early Childhood which will highlight national direction for action in three key areas: child and maternal health; early learning and care; and child-friendly communities.<sup>40</sup>

7.47 In October 2003, the Task Force released a paper on feedback from its consultation paper. Participants called for greater coherence between early learning and care services. Parents without paid jobs also commented that cost was a significant barrier to formal early learning programs. There was strong support from the education sector for a nationally consistent approach to early education and care.<sup>41</sup>

### ***Conclusion***

7.48 Investment in early childhood education and intervention programs can have a lifelong impact on children. It provides an opportunity for children to access services that will best prepare them for school. Children from disadvantaged backgrounds can gain crucial skills through intervention programs which lessen the impact of poverty.

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39 *Committee Hansard* 4.8.03, pp.1209-15 (Mission Australia).

40 *Submission* 165, p.17 (FaCS).

41 Task Force on Child Development, Health and Wellbeing, *Towards a National Agenda for Early Childhood – What you told us*, October 2003, p.6.

The Committee considers that investment in early childhood education will benefit all: children, parents, and the community generally.

### **Recommendation 23**

**7.49 That the Task Force on Child Development, Health and Wellbeing develop as a matter of urgency a national program for early childhood education.**

### **Recommendation 24**

**7.50 That the Commonwealth, in conjunction with the States and Territories, develop initiatives to improve participation in early childhood education.**

### **Recommendation 25**

**7.51 That the Commonwealth, in partnership with the States and Territories, develop and contribute to the funding of early childhood education.**

### **Recommendation 26**

**7.52 That the Task Force on Child Development, Health and Wellbeing develop and implement special literacy programs for parents wanting to develop the skills to assist their children with early childhood learning.**

## **School education**

7.53 Those children entering school from low income families face considerable barriers. Family dysfunction and social exclusion adversely impact on children in school. Children feel isolated, suffer poor self esteem, exhibit disruptive behaviour and may become truants. Anglicare Victoria noted:

Kids coming from low-income families are much more likely to be affected by issues such as poor mental or physical health, unsuitable housing and conflictual family relationships. It is really hard to learn if what is going on in your mind is the fight that your parents had that morning; it is really hard to concentrate on what you are meant to be doing at school.<sup>42</sup>

7.54 When money is tight, there is not very much left for low income households to invest in the education of their children. The Smith Family submitted that low income households spend about \$11.10 per week on education while high income households spend \$51.30.<sup>43</sup>

7.55 Lack of financial means results in children, at the most extreme, coming to school hungry. Unfortunately, this is not an uncommon occurrence. Disadvantaged

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42 *Committee Hansard* 30.5.03, p.68 (Anglicare Victoria).

43 *Submission* 172, p.32 (Smith Family).

children are also excluded from participating in many school activities such as excursions, sports activities, school camps and educational events presented at schools by outside organisations for a fee.

Max is 12 years old and attends a public coeducational high school. He had not attended any of the school discos or after hours activities arranged during the year and when he refused to attend the end of year party the teacher became concerned. She referred Max to the school liaison officer (social worker) who asked why he did not participate in social activities. Max informed her that the only clothes he had to wear were his school uniforms, that he was too embarrassed to attend and feared being bullied.

*Submission 112, p.12 (Australian Society of Social Workers).*

### ***Educational costs***

7.56 Many witnesses pointed to the costs of public education and the widespread enforcement of 'user pays'. This was seen as an additional burden for low income families and a barrier to children's participation in education programs. In a study undertaken by Anglicare Tasmania, people on low incomes were asked about the major triggers for financial stress. Anglicare stated that it was surprised to find that the costs of public education were a large cause of stress.<sup>44</sup>

7.57 The school costs that parents found most difficult to afford were uniforms, excursions and camps, fees and books:

[It is] sometimes hard buying the uniform, [with] pants \$50 each. (What do you do?) Save money for the uniform. Otherwise they won't go to school if they don't match.

Camp? They've never been with the school, we have never been able to afford it. They can't take part in everything. It makes them and me feel bad.<sup>45</sup>

7.58 The financial cost of students varies but Knox City Council provided this example:

The average cost I am seeing for a year 7 student is probably about \$1,100 to start off. A family that is living on a pension cannot do it...Uniforms, books, the school camp – okay, they do not need to go on the school camp but, again, if you do not go the school camp, you are ostracised in year 7, right from the word go. You are on the back foot.<sup>46</sup>

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44 *Committee Hansard 2.5.03, p.216 (Anglicare Tasmania).*

45 *Submission 98, p.24 (BSL).*

46 *Committee Hansard 1.5.03, p.151 (Knox City Council).*

7.59 The Salvation Army Southern Territory stated increasing fees and charges at public schools had resulted in many more families experiencing hardship. The Salvation Army also noted that schools were using collection agencies to pursue parents for outstanding money.<sup>47</sup> In Queensland, evidence was received that when a family could not afford book hire for their children, the textbooks were taken back until the money is paid. St Vincent de Paul indicated that at one school alone some 50 students, whose parents had not been able to pay book hire, did not have books until the Society interceded and paid the hire charge.<sup>48</sup>

7.60 Other organisations also indicated that they helped parents with the costs of educational needs. Knox City Council advised that \$30,000 had been allocated to educational needs of children in the Knox area in 2001-02. However, while demand for assistance was increasing, the amount available for distribution had decreased because a major funding source had disbanded; as a result not all families were able to be assisted.<sup>49</sup>

7.61 In some States, students from low income families receive government financial assistance for school costs. In Tasmania the Student Assistance Scheme, a means-tested grant scheme, offsets all levy costs faced by parents enrolling their children in full-time education. Forty per cent of government school students in Tasmania accessed the scheme in 2002 as did 14 per cent of students at non-government schools.<sup>50</sup>

7.62 The Brotherhood of St Laurence submitted that low incomes families who participated in its Life Chances study indicated that subsidies were inadequate. In Victoria, while most children in low income families attended government schools and received an Educational Maintenance Allowance, half the low income families found it difficult to afford school costs. In 2003, the allowance was \$254 for secondary students and \$127 for primary school students. The allowance is split between parents and the school.<sup>51</sup>

7.63 Anglicare Victoria commented that children from families who struggle with annual start up costs, voluntary fees and affording school activities 'feel very much excluded from their class' and concluded that the impact on these children 'cannot be underestimated in terms of their experience of school and whether or not it is a

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47 *Submission* 166, p.19 (Salvation Army Southern Territory).

48 *Committee Hansard* 4.8.03, p.1170 (SVDP).

49 *Submission* 138, p.12 (Knox City Council).

50 *Submission* 185, p.21 (Tasmanian Government).

51 [www.det.vic.gov.au](http://www.det.vic.gov.au)

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positive experience...Experience of school is, I think, an absolutely crucial issue in terms of kids staying at school.<sup>52</sup>

7.64 In order to improve participation of students, it was suggested that there is a need to restrict the use of fees in school and to increase the level of financial assistance to low-income families with children. This would reduce the negative impact of fees and costs on school participation and on family living standards.

### ***Breakfast clubs for schoolchildren***

7.65 Nutrition is another area where poverty impacts on school children. Children go to school without breakfast because parents do not have the time to ensure that their children have breakfast before they go to school or they do not know what constitutes a nutritious breakfast. Children also miss breakfast because the family cannot afford food. A recent study by Anglicare provides an indication of the extent of the problem. More than half the families with children in the study reported that they didn't have enough to eat with one in five families indicating that this occurred 'often'. 41.8 per cent of the surveyed families indicated that their children went hungry, with 7.6 per cent indicating that their children had gone without food for a whole day in the last 12 months.<sup>53</sup>

7.66 The impact on children of poor nutrition includes not just health consequences but a range of psychological/behavioural, learning and academic consequences:

- higher levels of aggression, hyperactivity and anxiety as well as passivity
- difficulty getting along with other children;
- increased need for mental health services;
- impaired cognitive functioning and diminished capacity to learn;
- lower test scores and poorer overall school achievement;
- repeating a grade in school; and
- increased school absences, tardiness and school suspension.<sup>54</sup>

The AEU stated 'it goes without saying that if you are hungry you are not too good at learning how to read, and sometimes you need to deal with the first problem'.<sup>55</sup>

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52 *Committee Hansard* 30.4.03, p.69 (Anglicare Victoria).

53 Anglicare, *Food Insecurity – A Welfare Agency Perspective*, November 2003, p.22.

54 Anglicare, p.20.

55 *Committee Hansard* 30.4.03, p.72 (AEU).

7.67 The Committee heard that breakfast clubs are run in many areas. In Victoria, for example, there are clubs run by the AEU and CFMEU and funding is provided by St Vincent de Paul for other clubs. St Vincent de Paul also assists groups to provide school based breakfast programs in other States, for example, with the Red Cross in the Hunter region of NSW. The United Kingdom has been providing breakfast clubs in schools through the Food in Schools Healthier Breakfast Club project.<sup>56</sup>

7.68 Some programs are community based but many schools are also recognising the need to ensure that children have breakfast. Some schools have brought forward lunch times so that children can have brunch. Other schools provide breakfast as part of their before school programs. However, the AEU stated that the move from funding provided through the disadvantaged schools program to an emphasis on literacy and numeracy decreased the flexibility of schools to provide certain programs.<sup>57</sup>

7.69 Children need adequate nutrition to ensure that they are alert and ready for school and have improved educational outcomes. Unfortunately, many children bring to school their family problems whether it be lack of income or disadvantage because of drug or alcohol issues or mental illness. The Committee supports programs which not only provide breakfast through breakfast clubs but also support families in providing for their children. The Committee considers that as lack of food has such an impact on the school life that nutrition programs should be integral to school services.

### **Recommendation 27**

**7.70 That the Commonwealth provide funding to establish school breakfast programs in disadvantaged areas.**

#### ***Quality of education***

7.71 Witnesses also noted children from low income families are likely to receive a lower quality of education than students from wealthier families. For example, lack of access to home computers is a major educational issue for children from low-income families. The Smith Family stated that the unequal access to and usage of information and communications technologies (ICT) is compounding disadvantage for some as:

...having access to ICT is becoming central to being able to fully participate in the economic, social, political and cultural spheres of society. Access to ICT also influences participation in education/lifelong learning and access to services.<sup>58</sup>

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56 *Submissions* 108, p.6 (AEU) and 214, p.1 (SVDP Lower Hunter Region); *Committee Hansard* 30.4.03, p.72 (AEU and SVDP Victoria) and 29.5.03, p.577 (SVDP). For information on the UK program see [www.educationextra.org.uk/breakfast\\_clubs/](http://www.educationextra.org.uk/breakfast_clubs/).

57 *Committee Hansard* 30.4.03, p.72 (AEU).

58 *Committee Hansard* 27.5.03, pp.387-88 (Smith Family).



7.72 Studies by the Brotherhood of St Laurence and The Smith Family found that low income families had lower levels of access to the Internet compared with medium income families and high income families with one parent households being the least likely to have access to the Internet. Although most schools have computers, access to these is often limited and so they do not necessarily compensate for lack of access at home. Without access to a computer at home and the Internet, students are at a disadvantage in terms of access to information, skill development and the ability to meet educational expectations. As a result, poverty leads to considerable exclusion and loss of opportunity for a large number of children.<sup>59</sup>

I now have a son who is in high school and I feel he is greatly disadvantaged because I cannot afford to own a computer. There was a situation only recently at my son's school when the computers were down. It affected my son handing in his assignment on time as school was his only resource, whereas if I could have afforded to have my own computer I feel this would not have happened. I often feel that in the education system the low-income families are forced to keep up with the Joneses, so to speak, otherwise your children will suffer. It should not be that way.

*Committee Hansard 4.8.03, p.1173 (Julie).*

7.73 The Smith Family concluded that 'finding ways to increase the home access of low-income families to the Internet should therefore remain a policy priority for all sectors (government, private and nonprofit) aiming to bridge the digital divide'. The Smith Family stated that there should be a focus on reducing the cost of ICT and ensuring that programs which provide appropriate parenting support emphasise the importance of having home access to computers and the Internet.<sup>60</sup>

7.74 It was also argued that the introduction of information and communications technologies has the potential to allow institutions to push costs onto students, for example, by the substitution of online for face-to-face delivery and the substitution of internet data sources for library holdings. As a result, 'such cost transfers have the potential to force economically marginal students and families out of formal education, and need to be monitored closely'.<sup>61</sup>

7.75 There is evidence that the educational opportunities and outcomes of students are affected by the educational levels of their parents and the socioeconomic background of other students at the school. Parental education is strongly associated with factors

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59 Taylor J & Fraser A, *Eleven Plus Life chances and family income*, Brotherhood of St Laurence; *Submission 172*, p.13 (Smith Family).

60 *Submission 172*, p.78; *Committee Hansard 27.5.03*, p.388 (Smith Family).

61 Marginson, p.14.

such as the home literacy environment, parents' teaching style and investment in resources that promote learning.<sup>62</sup>

### ***Public education***

7.76 The need for a strong public education system as a means of combating poverty was supported by many witnesses. However, it was argued that the declining investment in education, the increasing movement of Commonwealth resources from public to private education and the expansion of the private school sector was a further educational disadvantage for children from low socioeconomic backgrounds.

7.77 Witnesses pointed to the generous funding support of non-government schools by the Commonwealth. The Brotherhood of St Laurence stated that by 2004, government schools which educate about 70 per cent of Australia's children, will receive only about one-third of Commonwealth funding. The Brotherhood concluded 'this is an extremely inequitable distribution of federal government resources, reinforces divisions based on wealth, and displays little commitment to building equitable educational outcomes for all young Australians'.<sup>63</sup>

7.78 UnitingCare Burnside commented that there was a resource gap between public and many private schools and it is also evident between schools in the public sector. Private schools and public schools in more affluent areas enjoy high levels of resources as they can combine government funding with substantial resources from parents, whether through fees, voluntary contributions and/or fundraising. Schools in low socioeconomic areas must almost completely rely on public funding, there being much less scope to draw on parental resources whether monetary or social. Schools in very disadvantaged areas cannot offer the same conditions and environments as other schools.<sup>64</sup>

7.79 The AEU stated:

The resource differences between schools have become more critical. The introduction of the SES model by the Commonwealth is increasing the gap between some very well resourced private schools and some very poor public schools. Policies of choice and diversity have become linked to buying the level of school resourcing that parents can afford. There is an increasing concern among parents about the socioeconomic milieu of a school and an increasing tendency for schools to become polarised in terms of the communities they serve...then you have the additional factor of the hollowing out of those schools, because those parents who can afford it move into private schools. The more difficult the school is, the more

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62 *Submission 163*, p.120 (ACOSS).

63 *Submission 98*, p.24 (BSL).

64 UnitingCare Burnside, *Because Children Matter: Making a case for addressing child poverty in Australia*, June 2003, p.34.

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pressure there is on the parents who can afford it to move out, leaving the school with a harder and harder group of students.<sup>65</sup>

7.80 The problem is compounded for schools in disadvantaged areas as they tend to have higher numbers of students with learning and behavioural problems. These schools then become branded as low performing schools and are increasingly seen as 'sites for the concentration of social and educational disadvantage'.<sup>66</sup> Schools with this reputation and facing an over-representation of children with special needs or programs without adequate resources, are unlikely to be able to offer the same level of education or even the same equity of expectations, for their students.<sup>67</sup>

7.81 The AEU stated:

There is very little incentive for schools to give much attention to the people who are in need of the most attention. Therefore, poverty, disadvantage and equity are issues at a school level, not just an individual level. It is possible to talk of impoverished schools. These are schools with large numbers of students experiencing financial hardship, lower literacy and other academic achievement, a greater number of disengaged or alienated students and more students with high needs but less capacity to raise funds locally. They then become hard to staff schools. There is an accumulation and compounding of problems. We need programs directed at those schools suffering the greatest accumulations.<sup>68</sup>

7.82 Anglicare Victoria noted that private schools are well resourced, but 'are not obliged to consider the needs of students with disabilities, learning difficulties or economic or cultural disadvantage. Where such services are provided it is at a cost to the user'.<sup>69</sup> UnitingCare concluded:

One result of these factors operating together is that the capacity for public schools in vulnerable communities to create an enriching and stimulating educational environment for all students is diminished. In short, the NSW community is witnessing a move more towards a tiered educational system. In this system some students (often those who are already advantaged in other ways) enjoy an excellent school and learning environment while those at the bottom end are more likely to have a less enriching education at comparatively poorly resourced public schools.<sup>70</sup>

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65 *Committee Hansard* 30.4.03, p.70 (AEU).

66 Marginson, p.6.

67 Marginson, p.12; *Submission* 108, p.8 (AEU).

68 *Committee Hansard* 30.4.03, p.70 (AEU).

69 *Submission* 89, p.14 (Anglicare Victoria).

70 McClelland, p.34.

7.83 Witnesses also stated that the reduced overall funding of schools by both the Commonwealth and State Governments has increased schools reliance on voluntary fees and other charges. Voluntary fees place a significant demand on family budgets. Families on low incomes find it difficult to pay voluntary fees with the non-payment of fees compromising many children's and young people's education.<sup>71</sup>

***Programs to improve educational outcomes***

7.84 The need to provide equitable access to education and training to Year 12 has formed the basis of government policy at both the Commonwealth and State and Territory levels. A range of programs and pilot projects have been introduced. These include improving institutional funding and funding arrangements, building stronger community relationships and piloting initiatives designed to identify and support students at risk of leaving school early with no future plans. The introduction of vocational education and training in schools and school-based apprenticeships has also improved retention rates.

7.85 For example, the Tasmanian Government's *Equity in Schooling* policy encompasses five goals: improve access and attendance; increase access and participation in the curriculum; increase retention at school; encourage parent participation; and improve attainment and success at school.<sup>72</sup>

7.86 The Queensland Government has recently announced reform of the education and training systems. These reforms are aimed at accelerating progress towards an 88 per cent completion target, re-engaging young people at risk and ameliorating the factors that contribute to departure from learning. The Government stated that the 'reforms contrast with the Commonwealth approach of increasing funding to non-state schools at the expense of state schools'.

7.87 The reforms will include new laws making it compulsory for young people to stay at school until they finish Year 10 or turn 16, whichever comes first. Young people will then be required to participate in education and training for a further two years until: they have gained a Senior Certificate; gained a Certificate III vocational qualification; or turn 17. Exemptions will be provided for young people who enter full-time work after they have completed Year 10 or turned 16. These changes will take effect for students who enter Year 10 in 2006.

7.88 The Queensland budget has allocated \$745.4 million for vocational education and training in 2002-03 to build a job ready workforce with relevant up to date skills. This includes funding for the *Youth Access Program* to support some 2200 students at risk of not completing secondary school in the 2002 and 2003 school years.<sup>73</sup>

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71 *Submission* 118, p.15 (VCOSS).

72 *Submission* 185, pp.21-22 (Tasmanian Government).

73 *Submission* 129, pp.10-11 (Queensland Government).

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7.89 Despite these initiatives, witnesses voiced concern that more remained to be done. The Tasmanian Government stated that 'despite targeted programs, the relatively poor performance of students from backgrounds of poverty has not improved'.<sup>74</sup>

7.90 The AEU stated that over the last decade public policy has tended to move away from improving equity. It submitted that policies have been implemented which:

- at the Commonwealth level, rolled Disadvantaged Schools Program and other equity programs into 'literacy funding';
- have left public schools inadequately funded and reliant on 'voluntary fees';
- have given large increases to private schools, especially the more wealthy;
- have encouraged competition and choice between educational institutions which in turn can discourage schools from taking students that may not enhance their image;
- have failed to address the need to ensure a national commitment to universal access to public preschool education;
- have increased the personal costs of Higher Education and in some cases, TAFE;
- have made both Austudy and ABSTUDY less adequate and more difficult to obtain;
- have seen the number of Indigenous students at Universities fall between 1997 and 2000; and
- have made Australia more dependent on private education expenditure.

7.91 The AEU recommended that the Commonwealth through MCEETYA initiate a national strategy to achieve the social justice elements of the National Goals for Schooling and that this include specific strategies in relation to differences arising from students' socioeconomic background.<sup>75</sup>

7.92 ACOSS stated that policies directed at improving prospects for people moving out of poverty need to be directed at improving educational outcomes at every stage of a young person's development. Greater equity in educational outcomes will overcome the inter-generational poverty and unemployment experienced by many people.

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74 *Submission* 185, pp.21-22 (Tasmanian Government).

75 *Submission* 108, pp.13, 20 (AEU).

7.93 The National Education and Employment Forum (NEEF) has made a range of recommendations to increase the educational and employment outcomes of disadvantaged groups. These include:

- collaborative work towards targets for higher educational outcomes for young people who are disadvantaged and for geographical areas of concentrated disadvantage;
- increased investment in education to an average level of OECD spending as a percentage of GDP;
- increased access to supports and option for young people through education;
- recognition of the importance of early childhood learning;
- increase access to information and communication technology;
- increase in the quality of teacher education;
- develop specific priorities and targets for Indigenous education.<sup>76</sup>

7.94 The Business Council of Australia stated that the challenge is to put concerted and coordinated effort into providing:

- all young people with the opportunity to access education and training to Year 12 or equivalent through school or vocational education and training, including apprenticeships and traineeships, or through adult and community education;
- support to all young people who need guidance to help them decide an appropriate option to make the move from school to further education or training or work;
- young people, who leave school early, with the opportunity to return to education and training through flexible qualifications and programs; and
- young people with access to careers advice and job search training.<sup>77</sup>

7.95 Welfare organisations are also directing attention to improving educational outcomes through a variety of mechanisms, including direct aid for individual students such as provision of school clothing and books, and more comprehensive intervention programs. The Smith Family's *Learning for Life* program is one such program

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76 *Submission 163*, p.123 (ACOSS).

77 Business Council of Australia, *The Cost of Dropping Out: the Economic Impact of Early School Leaving*, January 2003, p.11.

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providing financial assistance, educational support for students and their families, and mentoring. Since its beginning in 1988, the program has been implemented primarily for school and tertiary education, but now, through a number of demonstration projects and pilots, it is being extended into the preschool and early childhood areas as well as into critical life transitions, such as the very important transition from school to work.<sup>78</sup>

7.96 The Committee heard of many programs to provide direct assistance. For example, St Vincent de Paul's school-bridging program provides financial assistance for the transition from primary to secondary school and from secondary school to tertiary education. It is particularly focussed on non-metropolitan areas where there are additional travel costs, computer costs etc for students.<sup>79</sup>

### ***Conclusion***

7.97 The Committee considers that there is an urgent need to combat educational disadvantage. Low educational attainment is not only a major cause of poverty but also children from disadvantaged backgrounds face significant barriers to educational achievement.

7.98 Children from disadvantaged backgrounds often cannot fully take part in school. They may suffer from feelings of isolation and be disruptive. Lack of means results in exclusion from school activities and access to vital resources such as computers. Students are arriving at school without breakfast, making them less able to participate in normal school activities.

7.99 Schools in disadvantaged areas have fewer resources to provide already disadvantaged students. Student outcomes are poorer and these impact adversely on future employment prospects.

7.100 Policy initiatives that focus on the most disadvantaged students in our schools are important to breaking this cycle of social disadvantage and poverty.

7.101 Initiatives through the TAFE sector can provide students with an alternative to school from completion of year 12.

### **Recommendation 28**

**7.102 That the Commonwealth provide additional funding for schools based on the socioeconomic profile of the school community to improve services provided to disadvantaged students.**

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78 *Committee Hansard* 27.5.03, p.379 (Smith Family).

79 *Committee Hansard* 30.4.03, p.73 (SVDP Victoria).

**Recommendation 29**

**7.103 That the Commonwealth work with the State and Territory Governments to develop effective policies and identify successful programs that improve retention rates of young people in danger of leaving school early and re-engage early school leavers to return to education at school or TAFE; and to provide additional support for those programs.**

**Recommendation 30**

**7.104 That the Commonwealth provide additional funding for the TAFE sector aimed at providing support for those students wishing to complete their school education in TAFE institutions.**

**Poverty and access to tertiary education**

Lack of income is an important determinant of educational participation at the post school level, and in higher education in particular. The increasing cost of higher education and the inability of most students to access income support schemes such as youth allowance, Austudy and Abstudy and the low level of payments made to those who are able to access these schemes sends the wrong message to potential students from poorer families who aspire to higher education.<sup>80</sup>

7.105 Research also indicates that income levels are an important determinant of participation in higher education. Students from low income families are less likely to participate in higher education and the lower the income, the more unlikely the progression to higher education. For example, Tasmania has the lowest AWEs and the lowest higher education participation rate.<sup>81</sup>

7.106 Evidence submitted by FaCS indicated that between 1992 and 1999 there was a 20.9 per cent increase in the number of students from lower socioeconomic backgrounds at university, though the share of places at university during this period remained fairly constant, between 14.4 and 14.7 per cent. FaCS suggested that this 'is likely to reflect the opportunities generated by overall increased number of university places'.<sup>82</sup>

7.107 NUS disagreed, stating that the figure of 14.7 per cent was 'well below the population reference value used by DEST of 25 per cent. This means that Australians

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80 *Committee Hansard* 1.5.03, p.113 (NTEU).

81 *Submission* 178, p.6 (NTEU).

82 *Submission* 165, p.17 (FaCS).



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from lower socioeconomic backgrounds have about half the likelihood of attending university as Australians from medium or higher socioeconomic backgrounds.<sup>83</sup>

7.108 Other witnesses also argued that students from lower socioeconomic groups were still underrepresented at universities and pointed to the significantly larger number of students from medium or higher socioeconomic backgrounds. NUS for example, noted that a study of Monash University students found that only 11 per cent of students from government schools receive ENTER (Equivalent National Tertiary Education Rank) scores of 90 or more. By contrast, 51 per cent of private school students achieved this score or above.

7.109 A recent study of socioeconomic background and education participation noted that 'this degree of inequity has remained relatively stable for over a decade, despite extensive equity initiatives across the system as a whole'. Other findings included that students from lower socioeconomic backgrounds are less likely to gain admission to the nations most prestigious, traditional universities.<sup>84</sup>

7.110 The poor success rate of students from lower socioeconomic backgrounds impacts not only on the individual student but reinforces inequity and leads to greatly increased stratification of higher education. Anglicare Victoria stated that high rates of failure among poorer students, both at school and in the struggle for tertiary entrance tend to depress aspirations for university 'thus partly reserving higher education to upper socio-economic status groups through a process of discouragement and self-exclusion'.<sup>85</sup>

7.111 The perceived cost of higher education appears to be a major deterrent for students from lower socioeconomic backgrounds. Many students do not believe that their families can afford to support them at university and that they would have to support themselves.<sup>86</sup>

7.112 Proposed changes to higher education funding and continued poor levels of income support were also seen as deterring students from lower socioeconomic backgrounds and from other disadvantaged groups from seeking university education.<sup>87</sup>

7.113 Recent studies have found that high levels of university students seek loans to cover costs and the majority of students undertake paid employment to support

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83 *Submission* 130, p.12 (NUS).

84 James, p.ix.

85 *Submission* 89, p.15 (Anglicare Victoria).

86 James, p.x.

87 *Submission* 163, p.121 (ACOSS).

themselves while at university. Other issues such as eligibility criteria for Youth Allowance and Austudy and lack of access to Rent Assistance for those receiving Austudy also impact on students seeking to undertake higher education. (See Chapter 12 for a further discussion of student issues.)

7.114 High levels of HECS debts also deter potential students from low socioeconomic backgrounds from taking up tertiary study. While HECS debts do not have to be repaid until a certain level of income is earned, students from lower socioeconomic groups may be averse to taking on such a debt when already faced with the prospect of financing living costs while undertaking study.

7.115 Student unions also noted the low participation rates of students living in regional and remote communities.<sup>88</sup> As a percentage of all commencing students in 1997, at the national level students from rural and isolated backgrounds had a low rate of access (18.3 per cent) relative to their population share (24.3 per cent).

7.116 Students from rural and regional areas face more barriers to accessing higher education with cost a major deterrent. Their lower socioeconomic background means that they have less capacity to meet university fees and charges and in many regional areas part-time employment is not available. Students from rural and regional areas are more likely to attend local campuses but due to shortfalls in funding many courses may no longer be available. In such instances, students will either have to leave their communities to attend other campuses and incur greater expenses or forego a higher education altogether. Those enrolling at campuses in major cities often encounter minimal social and support networks. Coupled with inadequate income support the transition from rural life to that in a large city is extremely difficult.<sup>89</sup>

7.117 In addition, higher education is seen as less personally relevant by rural or isolated students, particularly those from lower or medium socioeconomic backgrounds. As NUS stated, they are likely to have less 'push' factors for them to attend university arising from the perceived value of a higher education amongst their families and communities.<sup>90</sup>

7.118 James concluded, 'the relatively low higher education participation rates of people from lower socioeconomic backgrounds, and the apparent resistance of these participation rates to equity programmes, presents a major challenge for education policy'.<sup>91</sup>

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88 *Submissions* 64, p.4 (UTSSA); 130, p.15 (NUS).

89 *Submissions* 64, p.5 (UTSSA); 130, p.15 (NUS).

90 *Submission* 130, p.16 (NUS).

91 James, p.xi.

***Conclusion***

7.119 Although there has been an improvement in the number of students from low socioeconomic backgrounds gaining entry to higher education institutions, they still remain under-represented. Poor high school success rates mean that fewer disadvantaged students gain tertiary entry. The perceived high costs of a tertiary education including HECS debts, act as a significant deterrent. Students who must fully finance their living costs while completing their study and who have little financial support from family face a particularly difficult time in surviving while undertaking tertiary education.



## CHAPTER 8

### HEALTH

*Health is an essential component of active citizenship as without health a person cannot access other rights and cannot enjoy quality of life. Equitable access to health prevention services and care is therefore vital.<sup>1</sup>*

8.1 Affordable and timely access to healthcare services is vital for all Australians, including the poor and the disadvantaged. It was emphasised during the inquiry that the provision of healthcare should be on the basis of need and not the capacity to pay; and that Australia needs to avoid the development of a two-tiered healthcare system where an inferior and underfunded health system would be reserved for the poor and disadvantaged.<sup>2</sup>

#### Poverty and health

8.2 The link between health and socioeconomic status has been clearly shown in studies both in Australia and overseas, with lower socioeconomic status generally being associated with poorer overall health. For example, people from lower socioeconomic status are more likely to have serious chronic illnesses than people from higher socioeconomic backgrounds. Australian Institute of Health and Welfare (AIHW) data show that the proportion of people who report their health as only 'fair' or 'poor' shows a marked trend across socioeconomic groups. People who are less well educated, unemployed or living in households with low income report poorer health.<sup>3</sup>

8.3 Poor health can in turn lead to a compounding of poverty, because illness reduces an individual's capacity to take up opportunities such as employment or training. The ill-health of children within families may also result in a cycle of poverty that is difficult to overcome. The extent to which illness may be said to cause poverty depends largely on the type of illness and the preparedness of the community to support the economic participation of people who are ill and the living costs of people who are unable to work. The onset of illness can, however, profoundly affect individuals and families and place them at high risk of poverty.<sup>4</sup>

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1 *Submission* 118, p.16 (VCOSS).

2 *Committee Hansard* 30.4.03, pp.76-81 (Centre for Public Policy/Salvation Army/Catholic Social Services Victoria). See also *Submissions* 118, p.16 (VCOSS); 41, pp.5-6 (Dianella Community Health).

3 AIHW, *Australia's Health 2002*, p.14. See also *Submission* 129, pp.37-38 (Queensland Government).

4 *Submission* 163, p.139 (ACOSS). See also *Submissions* 44, p.31 (SVDP); 118, p.16 (VCOSS); *Committee Hansard* 4.8.03, p.1220 (Doctors Reform Society).

8.4 A range of health and related social problems, including suicide, are also linked to poverty. One witness noted that a number of clients, who are experiencing financial difficulties, actually present to the local council with issues relating to suicide, depression, family breakdown and domestic violence – 'so they may not come in and say, "Look, we can't afford to eat" – they are presenting with other issues – but when you get to the underlying cause, it is financial'.<sup>5</sup>

8.5 The importance to people's lives of ensuring access to healthcare services was emphasised in evidence, with advocacy groups indicting that many people are missing out on a range of health services. SACOSS told the Committee that:

...the issues of health for a growing number of [poor] people are evident, particularly in the homelessness sector, where we are constantly paying for people to have prescriptions filled and constantly calling doctors into our services because people do not have money to visit doctors.<sup>6</sup>

8.6 Another witness noted that:

We had two women who were sharing a pair of glasses. It was not quite down to the dentures. It is not just for prescriptions.<sup>7</sup>

8.7 Even for those people in employment, affordable healthcare is often problematic. One witness in a low paid job stated that:

I have got no health care for my children. I dread every sniffle and cough because I cannot afford to go to the doctor and, if I do go to the doctor, I cannot afford to pay for the prescriptions that they are going to need when I am finished. We may be at the top end of the poverty scale but we are on a downward slide and, if something is not fixed, then that is where we will end up.<sup>8</sup>

8.8 A number of issues were raised in relation to ensuring equitable and accessible health care to people in poverty, including:

- access to Medicare;
- access to public hospitals;
- access to ancillary and specialist health services;

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5 *Committee Hansard* 1.5.03, p.135 (Knox City Council). See also *Committee Hansard* 30.4.03, p.85 (Salvation Army).

6 *Committee Hansard* 29.4.03, p.66 (SACOSS).

7 *Committee Hansard* 29.4.03, p.66 (Lutheran Community Care).

8 *Committee Hansard* 29.5.03, pp.581-82 (Mrs Cox).

- access to preventive health and related services;
- access to maternal and child health services; and
- access to dental care.

## **Access to Medicare**

8.9 It was emphasised during the inquiry that the role of Medicare in providing free or reduced-cost hospital and medical services is of great value to all Australians but particularly important for people on low incomes. Medicare provides people with access to free treatment as public (Medicare) patients in hospitals, and free or subsidised treatment by medical practitioners and participating optometrists. People on low incomes often cannot afford private health insurance and even relatively small medical costs can be a serious obstacle in accessing health services.<sup>9</sup> Concerns were expressed that the Commonwealth Government is increasingly moving towards a 'two-tier' health system in which Medicare will become a 'second-class' system reserved for the disadvantaged.<sup>10</sup>

8.10 Despite the many positive features of Medicare, a number of submissions and other evidence identified gaps in relation to Medicare coverage and services. Firstly, Medicare does not cover a number of important health care services such as dental care, counselling, physiotherapy and podiatry. Access to these services is severely limited in the public system but widely available to people who can afford to pay privately, either out of their own pocket or through private health insurance. Secondly, Medicare permits the unregulated levying of patient co-payments for medical services, including specialist, diagnostic and GP services. Thirdly, Medicare has not delivered equitable access to health services for certain sections of the community, especially ATSI people and people living in certain areas of the country, such as rural and remote areas and outer urban areas.<sup>11</sup>

### ***Decline in bulk-billing***

8.11 Another key concern identified during the inquiry impacting on the lives of all Australians but particularly many poorer Australians is the decline in the numbers of GPs who provide bulk billing.<sup>12</sup> Bulk billing is vital to the health of people experiencing poverty and disadvantage – it enables people to seek medical checks and

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9 *Submissions* 166, p.28 (Salvation Army); 98, p.22 (BSL); 118, p.16 (VCOSS).

10 *Submissions* 29, p.7 (CPSA); 223, p.9 (APSF). See also *Committee Hansard* 30.4.03, p.76 (Centre for Public Policy).

11 *Submission* 163, p.140 (ACOSS).

12 *Committee Hansard* 30.4.03, pp.76-77 (Centre for Public Policy); 4.8.03, p.1219 (Doctors Reform Society).

assistance as the need arises and allows continuity of care, which improves the success of any intervention. Welfare agencies noted that their work with people on low incomes shows that people in these circumstances rely on bulk billing by GPs for access to affordable medical services.

8.12 Since the introduction of Medicare, bulk billing had grown to cover 80 per cent of GP services by 1996. In recent years bulk billing rates have declined – by the September quarter 2003, only 66.7 per cent of GP services were bulk-billed, a decline of 3.7 per cent compared with the September quarter 2002. The rate had declined further to 65.7 per cent by the December quarter 2003.<sup>13</sup>

8.13 In addition to the decline in the proportion of bulk-billed out-of-hospital services, there is a marked geographic disparity in access to bulk-billed services, with bulk-billing rates varying widely between regions (see Table 8.1). As a general rule, people in capital cities are much more likely to be bulk-billed than those outside cities, that is, those in rural centres and remote areas.

**Table 8.1: Proportion of non-referred attendances to GPs bulk-billed, by region**

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Capital city	85.9	85.6	85.4	85.2	83.8	80.8
Other metro centre	81.3	80.1	79.5	78.6	76.2	72.3
Large rural centre	65.7	63.7	61.7	60.8	59.8	59.0
Small rural centre	64.8	63.1	61.7	61.7	60.9	59.3
Other rural area	62.1	59.6	59.1	58.6	57.7	56.6
Remote centre	56.0	56.7	57.6	59.0	60.0	58.9
Other remote area	70.1	69.6	70.1	70.1	69.5	70.0
Unknown	68.8	70.3	71.4	73.4	72.7	71.5
<b>Australia</b>	<b>80.6</b>	<b>79.8</b>	<b>79.4</b>	<b>79.1</b>	<b>77.6</b>	<b>74.9</b>

*Source:* Productivity Commission, *Report on Government Services 2003*, January 2003, Table 10A.36 available at [www.pc.gov.au/gsp/2003](http://www.pc.gov.au/gsp/2003)

8.14 Submissions noted that this decline in bulk-billing results in uneven access to health services for people on low-incomes, especially in country areas where there is little choice of GP. The decline in bulk billing also impacts on older people, families with children, and people with a chronic illness and/or disability. COTA National Seniors stated that 'for an individual on a full age pension needing to see a doctor once or twice a week, his or her income can be reduced by amounts in the order of \$6-\$12

13 Department of Health & Ageing (DoHA), *Medicare Statistics*, September & December Quarters 2003.



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per week or more. This is yet another factor contributing to the financial hardship reported by many older people'.<sup>14</sup>

8.15 VCOSS cited anecdotal evidence of people delaying visiting a GP to seek diagnosis and treatment. This means that people are not able to access preventive health care measures or receive early intervention treatment or support, raising the likelihood of longer-term health costs due to reliance on treatment at later stages of an illness.<sup>15</sup> Statistics show that the total number of GP visits declined by 1.3 per cent in the December 2003 quarter compared with the December quarter 2002 which may indicate that many people are avoiding visiting the doctor because of the cost.<sup>16</sup>

8.16 Patients are facing increasing out-of-pocket costs for GP visits. The out-of-pocket contribution made by patients for GP services increased from an average of \$5.61 in 1984-85 to \$12.46 in 2002-03 and to \$13.57 by the December quarter 2003.<sup>17</sup>

8.17 The decline in bulk billing is also resulting in people turning to already over-stretched community health centres and the emergency units of public hospitals. The Queensland Government stated the emergency departments in that State are currently being 'inundated' with people who should be treated by GPs – 'these people are reporting that they can not get access to, or can not afford a general practitioner'. The Government stated that over the past three years there has been a 10.3 per cent increase in the number of patients treated by emergency departments, and a 14 per cent increase in the number of non-urgent or semi-urgent cases presenting to the emergency departments.<sup>18</sup>

8.18 The Victorian Government expressed similar concerns. The Government stated that there was an 11.5 per cent growth in emergency department presentations between June 2001 and June 2002 in Victoria and it is estimated that around 30 per cent of emergency department presentations could be better serviced by a GP – 'this suggests that significant numbers of people are not receiving the accessible and responsive primary care they require in a setting most appropriate to their needs'.<sup>19</sup>

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14 *Submission* 184, p.21 (COTA National Seniors). See also *Submissions* 29 p.8 (CPSA); 223, p.10 (APSF).

15 *Submission* 118, p.17 (VCOSS).

16 DoHA, *Medicare Statistics*, December Quarter 2003.

17 DoHA, *Medicare Statistics 1984/85 to September Quarter 2003*, p.41; *Medicare Statistics*, December Quarter 2003.

18 *Submission* 129, p.39 (Queensland Government).

19 *Submission* 69, p.24 (Victorian Government).

8.19 Submissions argued that it is vital that bulk billing is maintained and expanded to ensure access to health services for all Australians.<sup>20</sup> The Brotherhood of St Laurence (BSL), while suggesting that bulk billing be maintained, also argued that it should be extended to a wider group of practitioners, particularly specialists, and be available to people on low incomes in all geographical areas.<sup>21</sup>

### ***Addressing the decline in bulk-billing***

8.20 Measures to amend Medicare and address declining bulk-billing have been the subject of considerable debate between the major political parties since the Government released its *A Fairer Medicare* package as part of the May 2003-04 Budget. The package aimed to reduce the costs of accessing health care, particularly for concession card holders. The key element of the Government's proposals was a system of incentive payments for practices that agree to bulk-bill all concession card holding patients and the capacity for participating practices to receive rebates for all their patients directly from the HIC.

8.21 The ALP announced a policy in May 2003 in response to the Government's package that proposes to immediately lift patient rebates to 95 per cent of the schedule fee, with a subsequent increase to 100 per cent for every bulk-billed GP service by 2006-07. In addition, GPs who meet bulk-billing targets would receive additional incentive payments. The ALP initiatives are designed to reach a national target level of bulk-billing of 80 per cent. Overall, the ALP policy represents a rejection of all elements of the *A Fairer Medicare* package except for the workforce initiatives aimed at alleviating doctor shortages, and measures to increase the GP rebate for veterans and war widows.<sup>22</sup>

8.22 The Senate established a Select Committee on Medicare to review the Government's package of reforms. At a practical level, the Select Committee found that the Government's policy 'is focused on 'guaranteeing' bulk-billing of concessional patients in a way that is quite simply unnecessary, since the majority of these people are in all likelihood already bulk-billed'. The Committee concluded that the scheme as proposed would trigger a fall in bulk-billing for all those who are not concession cardholders – 'many Australians in genuine need of bulk-billing will fall just outside the threshold of concessional status – including many working families and those with chronic illnesses. These people will face both more gap payments, and overall, a rise in the level of such payments'.<sup>23</sup>

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20 *Submissions* 98, p.22 (BSL); 166, p.28 (Salvation Army).

21 *Submission* 98, p.ix (BSL).

22 ALP policy cited in Senate Select Committee on Medicare, *Medicare – Healthcare or Welfare?*, October 2003, pp.115-16.

23 *Medicare – Healthcare or Welfare?*, p.xiii.

8.23 In response to criticisms of its original proposal, the Government announced changes to its reform package. Under the new *MedicarePlus* arrangements, announced on 18 November 2003, the Government will pay GPs an additional \$5 for every bulk-billed medical service provided to concession card holders and to children aged under 16 years. New safety net arrangements were also announced. The *MedicarePlus* proposals were also considered by the Select Committee that reported in February 2004.<sup>24</sup> The Senate had yet to debate the legislation at the time of drafting this report.

### **Conclusion**

8.24 The Committee believes that bulk billing is a cornerstone of access to primary health care in Australia, playing an indispensable day-to-day role for all Australians and particularly for the poor and the disadvantaged. Bulk billing has been important in limiting barriers to low income people for mainstream health care by minimising out-of-pocket costs and thus impacting positively on the living standards of the poor and disadvantaged in the community.

8.25 The Committee notes that the two reports by the Select Committee on Medicare contain a range of recommendations to improve bulk-billing, in addition to other measures to improve access to health services by low income and other disadvantaged groups and people in society.

### **Access to public hospitals**

8.26 Submissions and other evidence to the inquiry noted the importance of ensuring timely access to hospital services for those on low incomes and commented on the increasing pressures placed on public hospitals in providing adequate services as a result of, *inter alia*, a general lack of funding, the diversion of funds to the private system and the funding complexities arising out of the Commonwealth-State division of responsibilities in the area of health.<sup>25</sup> The Doctors Reform Society stated that:

Public hospitals cannot meet the demands on them. Despite promises that propping up the private health insurance industry with an enormous public hand-out – somewhere between \$2 billion and \$3 billion annually – would take pressure off the public system, the demands are still increasing.<sup>26</sup>

8.27 This Committee's 2000 report into public hospital funding concluded that public hospitals in Australia need an urgent injection of funds. The Committee found that:

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24 Senate Select Committee on Medicare, *MedicarePlus: the Future for Medicare?*, February 2004.

25 *Submissions* 134, p.2 (Centre for Public Policy); 184, p.20 (COTA National Seniors). See also *Committee Hansard* 30.4.03, pp.76-79 (Centre for Public Policy).

26 *Committee Hansard* 4.8.03, p.1220 (Doctors Reform Society).

Whilst the current funding shortage has arisen because of the Commonwealth's failure to properly index hospital grants, the problem is deeper. There has been a long term pattern of cost shifting by both the States and the Commonwealth which has continually squeezed the public hospital system....Evidence presented to the inquiry has indicated that the key problems that needs to be addressed as a priority is the fragmented nature of the roles and responsibilities of the Commonwealth and the States and Territory Governments in the funding and delivery of public hospital services.<sup>27</sup>

### ***Australian Health Care Agreements***

8.28 Under the Medicare arrangements, public hospital services are provided under Australian Health Care Agreements (AHCAs) with the State and Territory Governments. Under the 2003-08 AHCAs, the Commonwealth will provide funding of \$42 billion to the States, a 17 per cent real increase over the 1998-2003 AHCAs. The AHCAs provide funding growth on the basis of inflation, population growth, ageing, and other demand factors such as increased availability of medical technology. AHCA expenditure in 2002-03 was over \$7.240 billion.<sup>28</sup>

8.29 State Governments argued that the 2003-08 AHCAs fail to provide an adequate level of funding to the States. The NSW Government argued that the new AHCAs left NSW about \$1.3 billion worse off than the previous five year Agreement and will place further pressure on the public hospital system in that State. The Government argued that the Agreement did not take sufficient account of the impact on the public hospital system of increased health-related costs, the ageing population and the cost of new technologies.<sup>29</sup>

8.30 While the Commonwealth and States continue to argue over funding levels and cost-shifting within the public hospital system, it is Australians at the lower end of the socio-economic spectrum that are further disadvantaged in accessing timely and appropriate health care.

8.31 The latest AHCAs have been criticised for not including health reform proposals and should have had an emphasis 'on illness prevention strategies and developing a new model of "continuous care"'.<sup>30</sup>

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27 Senate Community Affairs References Committee, *Healing our Hospitals: Report on Public Hospital Funding*, December 2000, p.x.

28 DoHA, *Annual Report 2002-03*, pp.83-84.

29 NSW Health, 'NSW response to Commonwealth Medicare proposal', *Media Release*, 23.4.03; 'Federal Government cuts NSW hospital funding by \$1.3 billion', *Media Release*, 2.5.03.

30 AHRA, 'Health industry and consumers in last ditch effort to rescue \$42 billion care agreements', *Media Release*, 17.7.03.

8.32 A number of access and equity issues in relation to public hospitals were identified during the inquiry and by commentators in the healthcare area. These include:

- the increasing occurrence of hospital access block and hospital ambulance bypass – 'the effects of access block on acute hospital services are most disturbingly reflected by patients on trolleys in emergency department corridors and ambulances circling hospitals, waiting to deliver ill patients...Access block has been with us since the 1980s, but in recent years, in Australia, it appears to have become both endemic and critical across all our major cities'.<sup>31</sup>
- increasing waiting times for elective surgery – 'public hospital waiting lists, which disproportionately apply to those without private health insurance, constitute a real problem of equity'.<sup>32</sup>
- the problem of hospital exit block, reflecting the short supply of community-care services, particularly for older people – 'concurrently with decreasing acute hospital bed numbers, access to residential care beds in the community has decreased, especially beds designed for high-dependency patients. This has increased demand on acute hospital services as elderly inpatients wait for long term placement or are inappropriately sent back to the community to avoid pressure on an already congested residential care system'.<sup>33</sup>
- the inability of a system organised for acute, episodic care to efficiently provide continuous long-term care.<sup>34</sup>

8.33 Evidence and commentators also pointed to the need to improve public hospital infrastructure, including substantial additional capital funding, as well as ongoing funding.<sup>35</sup>

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31 Cameron P & Campbell D, 'Access block: problems and progress', *Medical Journal of Australia*, Vol. 178, No.3 2003, p.99.

32 Leeder S, 'Achieving equity in the Australian healthcare system', *Medical Journal of Australia*, Vol.179, No.9, 2003, p.477.

33 Cameron & Campbell, p.99.

34 Van Der Weyden M, 'Australian healthcare reform: in need of political courage and champions', *Medical Journal of Australia*, Vol. 179, No.6 2003, p.280; Leeder S, p.477; Australian Health Reform Alliance, 'New "Health Reform Council" is a test of leadership for today's COAG meeting', *Media Release*, 29.8.03.

35 *Submission 134*, p.2 (Centre for Public Policy); Leeder, p.477.

### ***Impact of the private health insurance rebate***

8.34 Submissions also argued that the introduction of subsidies for private health insurance further undermine the capacity of the health system to provide equitable access to health care. VCOSS claimed that the current funding of private health care is 'unsustainable, inequitable and, arguably, an inappropriate use of public funds'.<sup>36</sup> The Commonwealth has estimated that it will spend \$2.26 billion on the private health insurance (PHI) rebate in 2003-04.<sup>37</sup>

8.35 The Doctors Reform Society noted that the major users of public hospitals are people from lower SES groups who suffer from chronic illnesses – 'it is the same people who cannot afford private health insurance who do not get the alleged benefits of the private health insurance rebate. Public hospitals are in crisis because the money spent on the private health insurance rebate is not being spent on health'.<sup>38</sup> The Centre for Public Policy similarly noted that 'if private insurance was funded at a lower level or not funded at all by the state, there would be funds available to pay for a great deal more of the sort of universal public health provision which the poor are most in need of'.<sup>39</sup>

8.36 The Select Committee on Medicare, which reviewed the impact of the PHI rebate, concluded that while there was limited data on the equity and effectiveness of the rebate to make unequivocal judgements:

...sufficient evidence has already been presented to cast doubt on the overall effectiveness of the PHI rebate in contributing to the improvement of Australia's health system. In the light of the large amount of money involved in the subsidy, and the alternative uses to which it could be put, these criticisms must be taken seriously.<sup>40</sup>

8.37 Submissions emphasised that for efficiency and equity reasons it is essential that public hospitals continue to provide a viable and quality alternative to the private system. The Victorian Government stated that, for these reasons, 'balance needs to be exercised in ensuring that incentives to take up private health care through the health care rebate are not achieved at the expense of efficiency or the wellbeing of the public health system'.<sup>41</sup>

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36 *Submission* 118, p.17 (VCOSS).

37 DoHA, *Portfolio Budget Statements 2003-04*, p.217.

38 *Committee Hansard* 4.8.03, p.1220 (Doctors Reform Society).

39 *Committee Hansard* 30.4.03, p.78 (Centre for Public Policy).

40 *Medicare – Healthcare or Welfare?*, p.167.

41 *Submission* 69, p.24 (Victorian Government).

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## **Conclusion**

8.38 The Committee believes that the public hospital system needs to be adequately funded and supported and that the Commonwealth should re-examine its funding priorities vis-à-vis the public and private health systems to ensure equitable access to hospital services for low income and other disadvantaged Australians.

### **Access to ancillary and specialist health services**

8.39 Ancillary or allied health services play an important role in overall health care. Allied health professionals can provide both primary care services and a wide range of specialist diagnostic and treatment services for both referred and unreferred patients. These services are provided in an effort to create a more integrated and prevention-focused health care system. Allied health services presently included on the Medicare Benefits Schedule (MBS) are limited to prescribed psychiatry and optometry services. No other allied health services are funded under Medicare.<sup>42</sup>

8.40 Submissions and other evidence raised concerns that people on low incomes have limited access to a range of ancillary or allied health services such as dental and optical services, chiropractic and out-of-hospital specialist medical practitioner services.<sup>43</sup>

8.41 COTA National Seniors Partnership illustrated the problem as it relates to older Australians. COTA stated that:

Medicare also does not cover many important areas of treatment under the umbrella of allied health services such as physiotherapy, podiatry, chiropractic and psychology. Low income, older people have difficulty accessing these services if they have not taken out "extras" in private health insurance. However insurance is expensive and may not offer a large enough rebate to make the premium affordable, especially for people paying health insurance out of a full age pension.<sup>44</sup>

8.42 A NATSEM study found that a range of ancillary and specialist health services are more heavily used by people on higher incomes than those on lower incomes. Most notable were dental, chiropractic and out-of-hospital specialist medical practitioner services. There was also less use made of podiatry and optometry services by lower income groups, although this was less marked than for the services previously referred to. The study found that differences in access between high and low income groups was largely due to the high out-of-pocket costs as these services are mainly provided through private practices. The study concluded that there are

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42 *Medicare – Healthcare or Welfare?*, p.134.

43 *Submission 118*, p.16 (VCOSS); *Committee Hansard 30.4.03*, p.76 (Centre for Public Policy).

44 *Submission 184*, pp.20-21 (COTA National Seniors).

some ancillary and specialist health services which, because of their high out-of-pocket costs fall into a 'second tier' of health services that are less accessible to people with low incomes.<sup>45</sup>

8.43 It has been argued that there should be an extension of the MBS to cover allied health services. A reform of this nature has, however, considerable economic and financial consequences.<sup>46</sup> The Select Committee on Medicare noted that the cost implications would be substantial, requiring an increase in Commonwealth funding of potentially \$3-4 billion, depending on the scope of the additional services covered. While the measure would in all likelihood result in overall savings from reduced demand for GP and public hospital services, these savings would be difficult to quantify.

8.44 Secondly, the broader cost effects of wide scale additions to the MBS are difficult to predict. An extensive range of allied health services included on the MBS could lead to a substantial rise of supply-induced demand for allied health services, with attendant stress on Medicare funding. Thirdly, extending the MBS to cover allied health services also raises the issue of which services would receive priority for Medicare funding and which would not qualify. The decision about which allied health services to include on the MBS is difficult because of, *inter alia*, the varying allied health needs of different regions in Australia. Finally, given the problems inherent in the fee-for-service model of payment used by Medicare, it is not desirable to exacerbate the issue by increasing the number of MBS rebateable items.<sup>47</sup>

8.45 Accepting the arguments of the Select Committee, this Committee also does not favour any immediate broadening of the scope of services covered by the MBS. While there is a need to enhance accessibility to allied health services, the Committee considers that there are more targeted and effective mechanisms for addressing the issue. These include enhancing successful aspects of current initiatives, such as the More Allied Health Services Program. This program began in 2000-01 as part of the Commonwealth's *Regional Health Strategy: More Doctors, Better Services*. The program has facilitated links between rural GPs and allied health professionals by allocating targeted funding to employ additional allied health professionals in rural areas. Other initiatives that should be further encouraged include the funding of primary health care teams, and providing funding for shared access to resources via groups such as the Divisions of General Practice.<sup>48</sup>

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45 Schofield D, 'Ancillary and Specialist Health Services: Does Low Income Limit Access?', NATSEM Discussion Paper No. 22, June 1997, pp. 1-3, 18.

46 For a discussion see *Medicare – Healthcare or Welfare?*, pp.133-43.

47 *Medicare – Healthcare or Welfare?* , pp.143-44.

48 For further discussion see *Medicare – Healthcare or Welfare?*, pp.137-38, 169-205.



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## Access to preventive health and related services

8.46 Preventive health services/public health interventions focus on prevention, promotion and protection rather than on treatment; on populations or population groups rather than on individuals; and on factors and behaviours that affect health and cause illness and injury. Well-structured health priorities and interventions have the ability to reduce illness, cut healthcare costs and improve quality of life. Studies have demonstrated the value to the community of such interventions, in particular the substantial benefits, relative to costs, flowing from immunisation and tobacco control campaigns.<sup>49</sup>

8.47 Submissions pointed to the value in promoting preventive health strategies, especially for people from socio-economic disadvantaged backgrounds. Data indicate that people from these backgrounds make greater use of doctors and outpatient/casualty services, but are less likely to use preventive health services.

8.48 Socio-economic disadvantaged people generally experience greater ill-health than people from higher SES groups. The mechanisms by which socioeconomic status influences health status are many and varied. However, those most often postulated are diet, health behaviour, education, access to health services (both preventive and treatment), quality of housing and psychosocial factors. On all these indices people from disadvantaged backgrounds perform less well than people from higher SES groups. Socioeconomic disadvantage as a risk factor for ill health also interacts with other risk factors. People from lower socioeconomic groups, when compared with people of higher socioeconomic status groups, are more likely to smoke and smoke regularly; report less physical activity during their leisure time, and are more overweight or obese, all of which are significant risk factors for a number of major health conditions, such as cardiovascular disease and respiratory diseases.<sup>50</sup>

8.49 The Committee believes that preventive health measures as well as other measures such as early childhood programs; nutrition programs; and other programs to assist families, the elderly and people with disabilities and others in the community; especially community-centred programs where services are provided at the local level are important in addressing poverty and disadvantage, especially in more socioeconomically disadvantaged areas.

### Recommendation 31

**8.50 That the Commonwealth provide additional funding for preventive health and related measures, and that this funding be directed particularly at socioeconomically disadvantaged areas.**

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49 AIHW, *Australia's Health 2002*, pp.323-24.

50 AIHW, *Australia's Health 2002*, pp.212-13.

## Access to maternal and child health services

8.51 Evidence indicates the importance of universal maternal and child health services. Increasingly, research demonstrates that maternal health influences health outcomes for the child. Recent research has given new insights into the long term health outcomes which relate to birth weight and growth through infancy. For the child, low birth weight is associated in the short term with delayed growth, and in the long term, with the development of conditions such as adult hypertension, coronary heart disease and diabetes.<sup>51</sup>

8.52 Improving the accessibility and appropriateness of health services for children is important especially for children living in socioeconomically disadvantaged families, Indigenous children, children with chronic illnesses and/or disability and children living in rural and remote areas. This recognises the poorer health outcomes of children from these backgrounds. Improving health outcomes for children requires a reorientation of health services to focus on prevention and early intervention strategies.

8.53 One example of a successful strategy in this area is home visiting. This has been advocated as a means of supporting the development of healthy parenting; as a strategy to promote child health; and as an intervention to protect children from abuse and neglect. These programs have been shown to impact positively on a number of health indicators including breastfeeding rates; decreased accidental injury rates; increased immunisation rates; decreased behaviours among parents associated with physical abuse and neglect; and decreased Emergency Department visits and paediatric inpatient admissions.<sup>52</sup>

## Access to dental care

8.54 Evidence to the Committee highlighted the serious lack of access to affordable dental services for people on low incomes.<sup>53</sup> Under current arrangements, dental health care in Australia is largely performed by privately billing dentists, with relatively small public dental programs provided by State and Territory Governments.

8.55 The Centre for Public Policy, commenting on the parlous state of dental care for the poor in Australia, submitted that:

...[it] is an absolutely extraordinary and worldwide scandal. If you are poor, your teeth can rot...They rot because it is impossible to get an appointment

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51 NSW Health, *The Start of Good Health: Improving the Health of Children in NSW*, September 1999, p.22.

52 *The Start of Good Health*, p.36.

53 *Committee Hansard* 30.4.03, p.78 (VCOSS); 4.8.03, p.1220 (Doctors Reform Society); 2.7.03, pp.922-24 (Illawarra Dental Health Action Group).

with a publicly funded dentist within the period of time when the condition can be repaired. Even emergency cases are often in a situation where they have to put up with pain and bleeding if they cannot find a pro bono private dentist.<sup>54</sup>

8.56 Submissions noted that people living on low incomes visit dentists less frequently than the rest of the community; are likely to have teeth extracted rather than filled; and are less likely to get preventive care. Some people who have all their teeth removed during emergency treatment may wait up to a year to receive dentures.<sup>55</sup>

8.57 These observations were reflected in the findings of this Committee's 1998 report into public dental services. The report found that:

- people aged 45-64 in the lowest quintile of household incomes are eight times more likely to have no natural teeth and 1.7 times more likely to wear a denture, than people from the wealthiest quintile;
- Health Card holders aged 45 years and over are more than 1.7 times more likely to be edentulous (without teeth) and 1.4 times more likely to wear a denture than non Health Card holders; and
- people from disadvantaged backgrounds are more likely to have poor oral health than the general population and are about twice as likely to have lost their natural teeth.<sup>56</sup>

It is evident from the submissions received that the situation with oral health has not improved since the 1998 report, indeed it appears to have deteriorated.

8.58 Poor dental health causes a range of consequences including pain, difficulty in eating and the avoidance of certain foods (which can lead to wider health problems), and is associated with a range of serious medical conditions. It also affects self-esteem, employability and social and community participation. Generally, a person's overall quality of life is affected.<sup>57</sup>

8.59 For many people on low incomes the high dental fees charged by private dentists are prohibitive and thus they are reliant on public dental services. However, access to public dental services has declined dramatically since the cessation of the

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54 *Committee Hansard* 30.4.03, p.78 (Centre for Public Policy).

55 *Submissions* 98, p.22 (BSL); 166, pp.28-29 (Salvation Army).

56 Senate Community Affairs References Committee, *Report on Public Dental Services*, May 1998, p.6.

57 Dental Services report, p.4; *Submissions* 143, p.6 (NCOSS); 29, pp. 9-10 (CPSA); 69, p.24 (Victorian Government); 230, pp.1-5 (Illawarra Dental Health Action Group). See also *Committee Hansard* 2.7.03, pp.922-23 (Illawarra Dental Health Action Group).

Commonwealth Dental Health Program (CDHP) in 1997 with a significant increase in waiting lists since that time. One witness noted that with the abolition of the CDHP 'all those who were on, below or in the vicinity of the poverty line found themselves disadvantaged to a degree comparable to a Third World country'.<sup>58</sup>

8.60 The CDHP was introduced in 1994 and provided basic levels of dental care for holders of Health Cards and their dependants aged 18 years and over and Commonwealth Seniors Health Card holders. Full and partial dentures were excluded from the Program, as were specialist services such as crowns, bridges, and orthodontics. Under the Program a total of 1.5 million services were provided to eligible adults. A total of \$245 million was provided by the Commonwealth under the Program over the four years from 1993-94 to 1996-97 inclusive. The Commonwealth ceased funding the Program on 31 December 1996, following which the States resumed full responsibility for public dentistry.<sup>59</sup> Evaluation studies of the Program found that it was generally successful in providing improved access to services for low income groups; a reduction in waiting lists; and a shift in treatment options away from extractions and towards restorative treatments.<sup>60</sup>

8.61 Waiting lists and waiting times have increased significantly since the cessation of the CDHP. There are currently about 500 000 people on waiting lists around Australia for public dental treatment and only about 11 per cent of those eligible for treatment receive it each year. Waiting times are three to four years in some areas.<sup>61</sup> In NSW, NCOSS stated that in 1997, when the CDHP ceased, there were 111 8504 people on the waiting list in that State for public dental treatment. This number had increased to over 250 000 by March 2001.<sup>62</sup> In Victoria, waiting lists for dental health services provided through community health services are up to three years or longer in certain regional areas as well as in some urban centres.<sup>63</sup>

8.62 Submissions noted that it was ironical that since the abandonment of the CDHP access to public dental care has decreased, however, tax subsidies are provided for private dental care to assist wealthier members of the community. The Victorian Government stated that the Commonwealth Government has spent some \$360 million

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58 *Committee Hansard* 2.7.03, p.922 (Illawarra Dental Health Action Group).

59 The States were required to maintain their baseline level of recurrent funding to adult dental services under the Agreement with the Commonwealth. See Dental report, pp.27-29.

60 For further details see Dental report, pp.29-32.

61 *Submission* 98, p.22 (BSL). See also *Submission* 166, p.29 (Salvation Army).

62 *Submission* 143, p.6 (NCOSS).

63 *Committee Hansard* 30.4.03 (VCOSS).

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over the period 1997 to June 2000 subsidising private dental treatment through the private health insurance rebate.<sup>64</sup>

8.63 Submissions argued that there is a need for the establishment of a publicly funded national dental health scheme to improve access to dental services for people on low incomes.<sup>65</sup> While the States direct funding into dental health services, funding is clearly not sufficient to meet unmet need and there is a clear case for Commonwealth involvement in this important area to reduce the numbers of people on low incomes who experience poor oral health without access to adequate dental treatment.<sup>66</sup>

8.64 ACOSS suggested that funding needs to be targeted to disadvantaged groups with particular dental health needs including nursing home residents, Indigenous people, people living in rural and remote areas, people with a disability, homeless people, people with a mental illness and people on social security benefits.<sup>67</sup>

8.65 NCOSS proposed that a public dental program should incorporate a number of targets, including:

- that no person should have to wait more than 24 hours for emergency dental care;
- that treatment should be available for preventive care in time to avoid expensive, complicated dental care or tooth loss; and
- that regular dental checkups should be available, at least every three years.<sup>68</sup>

### ***Conclusion***

8.66 Dental health plays a crucial role in a person's overall health, and the Committee is concerned that many low income Australians experience significant problems in accessing timely and effective dental care. The Committee believes that there is an urgent need for the Commonwealth and the States to address the dental health care needs of low income Australians. The Committee sees public dental care as a responsibility that is shared with the States, and one in which the Commonwealth should take an active leadership role.

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64 *Submission* 69, p.25 (Victorian Government). See also *Submission* 98, p.23 (BSL).

65 *Submissions* 98, p.ix (BSL), 143, p.6 (NCOSS).

66 *Submissions* 69, p.25 (Victorian Government); 143, p.6 (NCOSS).

67 *Submission* 163, p.143 (ACOSS).

68 *Submission* 143, pp.6-7 (NCOSS).

8.67 The Committee considers that a national dental health scheme needs to be established to provide dental services to people on low incomes and that such a scheme should be jointly funded by the Commonwealth and the States. Evidence to the inquiry pointed overwhelmingly to the benefits of the earlier Commonwealth Dental Health Program. This program represented a targeted measure of limited cost that was shown to achieve significant increases in access to dental care for those most in need. As with the original scheme, the introduction of a new public dental health program needs to be developed in close consultation with State Governments to ensure that it does not simply substitute for current dental funds.<sup>69</sup>

### **Recommendation 32**

**8.68 That a jointly funded Commonwealth-State national dental health scheme be established to improve access to dental services for people on low incomes, and that it be modelled on the former Commonwealth Dental Health Program.**

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69 Similar conclusions and recommendations were made by the Select Committee on Medicare that examined issues relating to allied and dental health care, *Medicare – Healthcare or Welfare?*, pp.121-132.

## CHAPTER 9

### OTHER ISSUES – UTILITIES, CREDIT, GAMBLING

9.1 A number of other issues were raised during the inquiry that particularly affect people on low incomes and impact on the incidence of poverty in the community. These issues include:

- access to utilities such as electricity, gas and water for people on low incomes;
- the availability of credit and the adequacy of consumer credit regulation; and
- gambling, especially problem gambling, and its impact on poverty among low income groups.

#### Access to utilities

9.2 Evidence indicated the importance of ensuring access for low income households to essential utilities such as electricity, gas, water and telephone services. These services provide the basic means by which any household is able to function in a modern society.

9.3 Submissions and other evidence argued that the application of the National Competition Policy to essential utility services in recent years has led to debt recovery practices which penalise low income households and result in disconnection for inability to pay for these services. This in turn adversely affects the living standards of many low income households. The impact of power supplies being cut-off was graphically illustrated in evidence – loss of refrigeration, inability to keep fresh food, frozen food being spoiled, no hot water for cooking or washing, no heating or light. Indeed, submissions argued that access to light, heating and cooking are essential elements to a reasonable standard of living.<sup>1</sup> One submission noted that disconnection is particularly stressful for people with young children, the elderly and infirm and those living alone.<sup>2</sup> Another submission noted that if a household is unable to pay a utility bill 'then modern views of what constitutes a reasonable standard of living requires that policies and programs are in place to ensure on-going access to essential services'.<sup>3</sup>

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1 *Submissions* 105, pp.1-6 (Energy Action Group); 91, pp.1-6 (Ms Romeril). See also *Committee Hansard* 1.5.03, pp.192-199 (Energy Action Group/Ms Romeril); 28.7.03, p.998 (St Vincent de Paul WA).

2 *Submission* 212, p.2 (SVDP – Riverwood Conference).

3 *Submission* 91, p.2 (Ms Romeril).

9.4 WACOSS stated that in the past 12 months emergency relief agencies in Western Australia have paid approximately \$1.34 million to utility service providers to prevent disconnection or restriction of supply to low income and disadvantaged customers.<sup>4</sup> The escalating nature of this issue was exemplified in one submission that noted that in Victoria in the 1980s, electricity disconnections averaged 0.7 households per thousand domestic customers each month. The rate of domestic disconnections increased in the late 1980s when Competition Policy was introduced. By 1994, the disconnection rate had doubled to 1.6 households disconnected per month per thousand domestic customers. Later data show that in Victoria there was a 30 per cent increase in electricity disconnections for residential household customers in 2001 compared with the previous year.<sup>5</sup>

9.5 The need for a national approach to ensuring that low income households have guaranteed access to essential utilities has been argued for some time. Consumer advocates have pushed unsuccessfully for many years for mandatory hardship provisions which would require utilities to reduce or waive debt for people who are unable to pay their bills for reasons outside their control. It was indicated in one submission that, to date, no company provides a satisfactory system to meet the needs of people in hardship.<sup>6</sup> In Victoria there is an agreement that the utilities will not disconnect for debts of under \$100, however it was claimed 'that is kept a dark secret, for fear that low income households will exploit that knowledge...what it does mean is that the utilities can trick households into thinking that, even for debts of under \$100, they can lose access to this essential service'.<sup>7</sup> It was noted that, as a public service, the former publicly owned Victorian State Electricity Commission had a policy of not disconnecting customers who were genuinely unable to pay their electricity bills.<sup>8</sup>

9.6 Evidence also indicated that advice needs to be provided via home energy advisory services and/or utility companies to assist low income households in relation to energy efficiency. One witness commented that one of the water companies in Victoria operates a particularly effective program for its low-income customers –'it is a combination of assisting them to identify ways of reducing water consumption while negotiating regular payments that are affordable to the household....They are keeping good relationships with the customers, getting the maximum payment from those

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4 *Committee Hansard* 28.7.03, p.1028 (WACOSS). WACOSS has just completed a report *Would you like some heat with your trickle of water?* About the cost of utility services and the nature and impact of those costs on emergency relief agencies and their clients.

5 *Submission* 91, pp.2-4 (Ms Romeril).

6 *Submission* 91, p.4 (Ms Romeril).

7 *Committee Hansard* 1.5.03, p.194 (Ms Romeril).

8 *Submission* 91, pp.2-6 (Ms Romeril). See also *Committee Hansard* 1.5.03, p.198-99 (Ms Romeril).



households and assisting the households to keep their consumption at an affordable level'.<sup>9</sup>

9.7 Submissions noted that the energy concessions provided by State Governments often exclude some categories of people on low incomes. NCOSS advised that in NSW the State Government provides energy concession rebates of \$112 per year but this is limited to people who hold a Centrelink or DVA Pensioner Concession Card; receive a DVA Disability Pension; and whose electricity account at their principal place of residence is in their name or jointly in their name. NCOSS stated that these criteria exclude some people on low incomes from receiving the rebate, such as unemployed people, students, sickness beneficiaries and people unable to have an electricity account in their name because of the nature of their housing, such as caravan park and boarding house residents.<sup>10</sup>

### **Recommendation 33**

**9.8 That public and private utilities have in place hardship provisions that provide for the reduction or waiver of debt to ensure that customers genuinely unable to pay for the provision of utilities retain access to these essential services.**

### **Consumer credit regulation**

9.9 Concerns were expressed during the inquiry at the lending practices of some credit providers and the problems caused by the easy availability of credit, especially as it impacts on low income households. One witness noted that:

The financial cost to individuals who use credit, payday lenders or sell or pawn their belongings in order to survive is excessive and again highlights the inequalities in this society that allows the financially vulnerable to be exploited.<sup>11</sup>

9.10 The Australian Consumers' Association (ACA) articulated this concern:

...we have become increasingly alarmed at levels of debt among Australian households. While that is certainly spread across all income levels and encompasses a variety of sources of credit – not just credit cards but personal loans and, of course, mortgages – we are particularly concerned about the impact on low-income households who have quite high debt to income ratios and their capacity to manage that debt, particularly in the case

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9 *Committee Hansard* 1.5.03, p.197 (Ms Romeril). See also *Submission* 212, p.2 (SVDP – Riverwood Conference).

10 *Submission* 143, p.4 (NCOSS).

11 *Committee Hansard* 1.5.03, p.147 (Knox City Council).

of illness or other unexpected life events such as unemployment, and to maintain their capacity to stay out of bankruptcy in particular.<sup>12</sup>

9.11 The ACA stated that, based on numerous studies, it was single parents, renters and others on low incomes that experienced the most difficulties in managing credit card debt. The ACA noted that not only are increasing numbers of these people presenting to financial counsellors with problems arising out of credit card use and other inappropriate levels of lending by financial institutions, but it is also exacerbating the degree to which they can be caught in a poverty cycle through debt traps.

Not only are these people going through the stress of being in a situation of being overcommitted when it comes to their debt levels and their credit card use, but they then become targets for refinancing and the churning that goes on by a variety of agencies wishing to charge them fees to put them into other credit products and further exacerbate the extent to which they are caught in that debt trap.<sup>13</sup>

9.12 Another emerging problem is the increasing debt levels of young people through the use of mobile phones. One financial counselling service noted that many of its younger clients have multiple mobile phone contracts, and they have no understanding of the real costs, the cancellation fees or the consequences of non-payment of these arrangements.<sup>14</sup>

9.13 Regulation of most personal credit is covered by the provisions of the Consumer Credit Code which is a set of uniform acts and regulations passed by all the States and Territories. The legislative structure is based on a template scheme. All States have passed enabling legislation which adopts the template legislation and applies it in the particular State or Territory. Any amendments to the Code or Regulations only need to be made to the template legislation; they will then automatically apply in other States without amendment to the States' Enabling Acts.

9.14 The Code covers most types of personal loans and credit arrangements from banks and other financial institutions but does not cover loans for business or investments. It stipulates what sort of information should be disclosed in loan contracts and provides procedures for defaults. States are able to pass legislation on related matters or matters not contained in the Code but cannot pass legislation which conflicts with the Code. Under the Australian Uniform Consumer Credit Laws Agreement 1993 (AUCLA) the Ministerial Council for Uniform Credit Laws has to

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12 *Committee Hansard* 20.6.03, pp.735-36 (ACA). See also *Submissions* 182, p.7 (CFA); 99, p.2 (FCRC).

13 *Committee Hansard* 20.6.03, p.736 (ACA).

14 *Committee Hansard* 1.7.03, p.822 (Lismore Financial Counselling Service).

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agree to amendments to the Code by a two-thirds majority. All States are required by the AUCLA not to introduce legislation which conflicts with or negates the Code.<sup>15</sup>

9.15 The Code does not set maximum annual interest rates. States and Territories are free to set their own rates. In Victoria, for example, the *Consumer Credit (Victoria) Act 1995*, stipulates that the annual interest rate should not exceed 48 per cent for most matters and 30 per cent for mortgages.

9.16 A number of issues were raised relating to consumer credit availability and practices including:

- the availability of credit;
- loan defaults;
- fringe credit providers;
- pawnbrokers;
- the need for more consumer education; and
- the need for more funding of financial counselling services.

### *Availability of credit*

9.17 Evidence indicated that credit from a variety of different sources is too readily available and that many people on low incomes are overcommitted and are at risk of default on their loans.<sup>16</sup> The ACA noted that:

While we see a very rapid rise in levels of credit card spending and credit card indebtedness among [low income] households, we are very concerned that those people are least able to manage what is often very high cost credit. It is the experience of caseworkers and also more detailed analysis of outstanding levels of debt that show it is particularly low-income households who are most at risk of default and of overcommitment when it comes to their credit card usage.<sup>17</sup>

9.18 While the Consumer Credit Code requires an initial credit assessment to be conducted it is silent in relation to any subsequent increases in credit limits. Witnesses argued that the onus should be on credit providers to do adequate credit checks, with

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15 [www.creditcode.gov.au](http://www.creditcode.gov.au)

16 *Submissions* 217, p.1 (Lifeline – Northern Rivers); 99, p.2 (FCRC).

17 *Committee Hansard* 20.6.03, p.736 (ACA).

one witness asserting 'they are fast enough to chase people when they do not pay; they should be put in the situation of checking'.<sup>18</sup>

9.19 The ACA stated that there is a need to extend nationally the legislation currently in operation in the ACT concerning assessment of capacity to repay – 'to ensure that when people are granted additional credit it is actually done with reference to their income levels and what other levels of debt they might already have'.<sup>19</sup>

9.20 The ACT's *Fair Trading Amendment Act 2002* requires ACT lending institutions to undertake a satisfactory assessment of a borrower's capacity to repay an amount of credit on offer. This has meant that the execution of a satisfactory assessment process has become an integral part of the lending process. A credit provider who fails to comply with these requirements may be subject to criminal penalty provisions under the Act. The Act states that:

- a credit provider must not enter into a continuing credit contract for a credit card unless the credit provider has carried out a satisfactory assessment process; and
- a credit provider must not increase the amount of credit available under a continuing credit card contract unless the debtor has requested the increase in writing, or the credit provider has offered the debtor the increase and the debtor has accepted the offer in writing; and the credit provider has carried out a satisfactory assessment process.

### **Recommendation 34**

**9.21 That all States and Territories require credit providers to undertake a satisfactory assessment process prior to an increase in the credit limit available to a client to determine that person's creditworthiness.**

#### ***Loan defaults and debt recovery***

9.22 Concerns were raised regarding the debt recovery practices of some debt collection agencies.

9.23 Loan default procedures are addressed under the Consumer Credit Code. When a default in payment occurs, the credit provider will usually have to serve a default notice before they commence enforcement proceedings. This default notice will give 30 days to allow the debtor to meet the payments, seek further advice or apply to the credit provider for a change to the contract on the grounds of hardship. Before a credit provider or lessor can repossess goods, they have to give 30 days notice and, in some circumstances, obtain a court order.

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18 *Committee Hansard* 1.7.03, p.819 (Lismore Financial Counselling Service).

19 *Committee Hansard* 20.6.03, p.736 (ACA).

9.24 Evidence to the inquiry indicated that there is an increasing trend for debt collectors to use intimidation and fear tactics and to make threats to clients that have no legal basis.<sup>20</sup> One witness noted that 'scare tactics are the order of the day, not resolution. If a debtor makes a realistic offer, based on their budget, to pay back a debt, they are routinely rejected'.<sup>21</sup>

9.25 The outsourcing of debt collection was also cited as exacerbating the problem by removing the link between the granting of the credit and the collection of the debt. The outsourced debt collectors, it was argued, are less responsive to the needs of clients and the lending agencies are removed from the need to seek solutions when their customers have problems meeting repayments.<sup>22</sup> One witness also argued that many debt collectors have little understanding of the law governing debt collection or bankruptcy.<sup>23</sup> Submissions argued that there is a need for stricter rules and monitoring of debt collectors to ensure compliance with the code of practice.<sup>24</sup>

### ***Fringe credit providers***

9.26 Evidence drew attention to increasing problems associated with the insufficient regulation of fringe credit providers, especially payday lenders. Payday lenders offer short term loans of relatively small amounts of money to be repaid on the borrower's next payday.

9.27 There are various credit products available in the fringe credit providers market such as payday loans, cash advances, short term loans and micro-loans. These products generally have the following characteristics:

- money is lent for any purpose, including purposes where traditional lending is typically not available;
- money is typically lent in exchange for a fixed fee rather than charging an annual interest rate;
- some credit providers require security for loans, including bills of sale over motor vehicles or goods (including essential household goods) – others offer unsecured loans;
- the ease and speed with which money can be obtained is promoted;

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20 *Submission* 113, p.5 (FCAN); *Committee Hansard*, 27.5.03, p.413 (FCAN).

21 *Committee Hansard* 1.7.03, p.820 (Lismore Financial Counselling Service).

22 *Submission* 222, p.2 (Lismore Financial Counselling Service); *Committee Hansard* 1.7.03, pp.819-20 (Lismore Financial Counselling Service).

23 *Committee Hansard* 1.7.03, p.820 (Lismore Financial Counselling Service).

24 *Submission* 222, p.3 (Lismore Financial Counselling Service).

- money is lent to consumers who have a regular source of income, which includes social security payments;
- loans are for a short term ranging from one week to several months; and
- the most common method of repayment is via a direct debit authority.<sup>25</sup>

9.28 Fringe credit providers often charge excessively high rates of interest on short term loans (often in excess of 200 or 300 per cent per annum and in some cases higher). One witness noted that 'the worst part of some of those payday lending products is that they apply interest rates of between 200 and 2,000 per cent'.<sup>26</sup> These organisations also appear to often target poorer members of the community in need of ready cash to address a debt situation.<sup>27</sup> The problems associated with this form of credit were described in evidence:

'Pay Day' lenders are now preying on the weakest in our communities. High interest (some up to 240 %) secured over vehicles or household furniture further impacts on their already dire circumstances....They advertise as being able to help anyone, whatever their circumstances, and this appeals to desperate people needing a quick fix.<sup>28</sup>

People who cannot access credit are now using payday lenders to get advances on their incomes. They then are unable to repay this and they are sometimes charged up to 897 per cent interest on those particular debts.<sup>29</sup>

9.29 Evidence also pointed to other fringe lending operations, often franchise organisations providing relatively small loans of up to \$2000 and charging very high interest rates.<sup>30</sup> Other evidence pointed to some organisations attempting to circumvent the laws in one State by operating in another.<sup>31</sup>

9.30 In 2001 the Consumer Credit Code was amended to cover fringe credit providers who were previously exempt from its provisions. The Code now requires that

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25 Standing Committee of Officials on Consumer Affairs, *Fringe Credit Providers: Discussion Paper*, August 2003, pp.5-6.

26 *Committee Hansard* 20.6.03, p.738 (CFA).

27 *Committee Hansard* 1.7.03, pp.820-22 (Lismore Financial Counselling Service); 20.6.03, p.738 (CFA).

28 *Submission 222*, p.2 (Lismore Financial Counselling Service).

29 *Committee Hansard* 1.5.03, p.137 (Knox City Council).

30 *Committee Hansard* 1.7.03, pp.821-24 (Lismore Financial Counselling Service); 27.5.03, p.414 (FCAN).

31 *Committee Hansard* 1.7.03, p.836 (Lifeline Northern Rivers).

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contracts be in writing and that fees and charges be disclosed. The Code also provides borrowers with the legal capacity to challenge harsh and unfair contracts.<sup>32</sup>

9.31 However, a number of continuing concerns with fringe credit providers were raised with the Committee, including:

- borrowers' difficulties in determining the true cost of credit loans;
- the imposition of fees that translate to exorbitant rates of interest;
- fringe credit providers taking security over essential household items;
- fringe credit providers use of direct debit authorities; and
- fringe credit providers attempting to circumvent the application of the Code.

9.32 Many consumers have problems in establishing the 'real cost' of loans provided by fringe credit providers. The Code requires interest to be disclosed as an annual percentage rate (APR). This allows consumers to make comparisons between credit providers and to better understand the cost of credit. However, in the fringe credit market, a number of fringe credit providers do not charge borrowers an APR but a flat fee or sometimes a monthly interest rate. For example, a typical payday loan of \$200 over 2 weeks which attracts a 'fee' of \$40 translates to an APR of 522 per cent. A study prepared for the Ministerial Council on Consumer Affairs in August 2003 noted that there is 'uncertainty' surrounding whether or not fringe credit providers who impose a *flat fee only* are required to disclose an APR under the Code.<sup>33</sup>

9.33 This study proposed that extra disclosure requirements should be imposed for 'high cost' loans provided by fringe credit providers. These loans would require credit providers:

- to state the comparison rate in the high cost loan offer. A comparison rate is a method of calculating the total cost of a loan, including interest and all fees and charges, to a single percentage rate. This would allow consumers to compare the overall cost of the loan with other loan products in the market.
- to disclose a statutory warning before the contract is signed which would warn consumers that the particular loan is an expensive form of credit.<sup>34</sup>

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32 Credit Providers Discussion Paper, p.10.

33 Credit Providers Discussion Paper, pp.11, 19-20.

34 Credit Providers Discussion Paper, pp.29-30.

9.34 Another concern is the imposition of fees charged for fringe credit loans which can range upwards of 200 per cent per annum. This is a problem in those jurisdictions which do not have an interest rate cap. Currently only three jurisdictions have implemented interest rate caps. In NSW and the ACT the maximum APR that can be charged by a credit provider is 48 per cent. In Victoria, the maximum APR for a mortgage relating to a credit contract is 30 per cent, and for all other credit contracts it is 48 per cent. Interest rate caps are not covered by the AUCLA on which the Code is based.<sup>35</sup>

9.35 The study for the Ministerial Council stated that one way to address the problem of the imposition of fees that translate to exorbitant rates of interest is for jurisdictions to implement an interest rate cap. The study noted that if a cap is to be introduced, fees and charges need to be included in the calculation of the cap. This would prevent rogue fringe credit providers from reducing interest rates and increasing fees and charges to get around the interest rate cap.<sup>36</sup>

9.36 An additional concern raised is the practice of some fringe credit providers that are taking bills of sale over essential household goods. Bills of sale of this nature have been described as 'blackmail securities' as the goods required as security are often worth very little and are only taken as security to ensure payment by the borrower through fear of losing their most basic and essential household possessions. One witness argued that there should be a prohibition on bills of sale over household goods.<sup>37</sup> The prohibition would remove the threat of repossession of essential household goods.

9.37 Another problem raised is the use of direct debit authorities by fringe credit providers. Some credit providers repeatedly access bank accounts even when there are insufficient funds available in the account. As a result, fees and charges are imposed on the borrower by the bank. Other concerns raised are that fringe credit providers often access borrowers' accounts as soon as their wage or pension is deposited into the bank account. This may leave insufficient funds to pay for the necessities of life, such as food or rent.<sup>38</sup>

9.38 The study for the Ministerial Council argued that if a consumer signs a direct debit authority, the credit provider should be required to disclose the following in writing to the consumer:

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35 Credit Providers Discussion Paper, pp.12, 18.

36 Credit Providers Discussion Paper, pp.12, 43. See also *Committee Hansard* 20.6.03, p.738 (CFA).

37 *Committee Hansard* 1.7.03, p.822 ((Lismore Financial Counselling Service). See also Credit Providers Discussion Paper, pp.25-28.

38 Credit Providers Discussion Paper, pp.13, 20.



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- the consumer can cancel a direct debit authority at any time by contacting their bank;
  - the consumer can lodge a complaint with their bank if there has been an unauthorised debit; and
  - the consumer can contact the Australian Banking Industry Ombudsman for assistance in resolving complaints regarding unauthorised debits.<sup>39</sup>

9.39 A further emerging problem is that some fringe credit providers are attempting to avoid the application of the Code by setting up the credit transaction as a quasi-pawnbroking arrangement or broker arrangement.<sup>40</sup> The study for the Ministerial Council argued that the Code should be amended to prevent fringe credit providers from circumventing the Code in this manner.<sup>41</sup>

### **Recommendation 35**

#### **9.40 That the Consumer Credit Code be amended:**

- **to impose additional requirements for high cost loans provided by fringe credit providers, relating to:**
  - **disclosure of the comparison rate (the total cost of the loan, including interest and all fees and charges to a single percentage rate) on the loan offer;**
  - **disclosure of a statutory warning on the loan offer that the particular loan is an expensive form of credit; and**
  - **disclosure of information regarding the cancellation of direct debit authorities and avenues for complaints on the loan offer.**
- **to clarify that all credit providers must disclose an annual percentage rate (APR).**
- **to prohibit the taking of security over essential household goods.**
- **to prevent fringe credit providers from circumventing the application of the Code by setting up the credit transaction as a pawnbroking or broker arrangement.**

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39 Credit Providers Discussion Paper, p.30.

40 *Committee Hansard* 1.7.03, pp.824-826 (Lismore Financial Counselling Service).

41 Credit Providers Discussion Paper, p.38.

### ***Pawnbrokers***

9.41 Concerns were also raised in relation to the operation of pawnbrokers and the high interest rates often charged. The Financial Counsellors Association of NSW (FCAN) stated that:

...they do charge quite large interest rates – something like 25 per cent a month...Quite often people cannot manage that interest either and they end up signing over those goods to the pawnbroker. Except for legislation changes, I do not know what would be possible to stop that happening.<sup>42</sup>

9.42 One witness noted that people struggling to 'make ends meet' and other people, such as those with a gambling problem, often use pawnbrokers.<sup>43</sup> Cash Converters, which operates through a series of franchised shops and offers both pawnbroking facilities and trading in second hand goods was also referred to as a source of ready cash for many low income people.<sup>44</sup>

9.43 Pawnbrokers are not generally regulated by the Consumer Credit Code, except for unjust transactions. Pawnbrokers (those who advance money on the security of pledged goods) and traders in second hand goods are regulated by separate State and Territory legislation. Pawnbrokers are seen primarily as dealers in second hand goods rather than credit providers and some jurisdictions combine the regulation of pawnbrokers and second hand dealers into the one Act. For example, in Victoria they must be registered and abide by the provisions of the *Second-Hand Dealers and Pawnbrokers Act 1989* and the *Second-Hand Dealers and Pawnbrokers Regulations 1997*. Some brokers are members of the Pawnbrokers Guild of Australasia, a self regulating industry body.

### **Recommendation 36**

**9.44 That a Ministerial Council on Pawnbroking be established to review the adequacy of existing regulation of the industry.**

#### ***Consumer education***

9.45 Evidence pointed to the need for more community education programs, starting in schools, to be available to focus on educating people generally in understanding credit contracts; understanding their rights as consumers of banking and finance products; and providing the means for people to take control of their spending. FCAN noted that:

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42 *Committee Hansard* 27.5.03, p.412 ((FCAN).

43 *Committee Hansard* 27.5.03, p.412 (FCAN).

44 *Committee Hansard* 1.5.03, p.137 (Knox City Council).

When we go out and do education for community groups, people do not understand how credit is charged. They do not understand the debt recovery process. They do not understand that a signature binds them to a contract. These are the things that are really important about financial literacy for people. It should start in schools.<sup>45</sup>

9.46 People from low SES backgrounds or with a low standard of education are particularly vulnerable and often have 'no idea' what a contract entails – 'they just want the money. They have no ability to understand the contract'.<sup>46</sup>

9.47 Witnesses argued that more information should be provided by credit providers to allow borrowers to make informed choices when purchasing credit. Clear, 'plain English' information on the contract to be entered into needs to be given to the purchaser by the credit provider before a contract is signed.

Our clients know nothing about their rights. Day after day and week after week we have to go through the very basics of the law on debt recovery. This means that disenfranchised people in poverty are easy prey to pressure, scare tactics and undue harassment...[These people] do not have a clue what their rights are. The credit providers damn well know that and exploit that to the maximum.

*Committee Hansard 1.7.03, p.820 (Lismore Financial Counselling Service).*

### **Recommendation 37**

**9.48 That State and Territory Governments fund more community education programs in relation to credit and credit-related matters.**

### **Recommendation 38**

**9.49 That credit providers be required to provide clear, 'plain English' information on credit products to potential clients.**

### ***Funding of financial counselling services***

9.50 Groups argued that there needs to be increased funding for financial counselling services to enable them to provide for the high level of unmet need that currently exists in the community.<sup>47</sup> One financial counselling service noted that in the first half

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45 *Committee Hansard 27.5.03, p.410 (FCAN).*

46 *Committee Hansard 1.7.03, p.823 (Lismore Financial Counselling Service).*

47 *Committee Hansard 27.5.03, p.415 (FCAN).*

of 2003 they experienced a 30 per cent increase in the number of people approaching the service experiencing severe financial stress.<sup>48</sup>

9.51 Financial counselling is a very cost effective way to alleviate financial crises and to deliver strategies to allow people in poverty to address their financial problems. FCAN noted that a recent cost-benefit analysis of financial counselling services found that the ratio of benefits to costs for the community generally was 2:1 – every \$1 provided for these services yielded \$2 in benefits in terms of costs of bankruptcy avoided; reduced debt recovery costs; reduced demand for social security benefits; reduced absenteeism; and reduced illness and related Medicare costs.<sup>49</sup>

### **Recommendation 39**

**9.52 That Commonwealth and State and Territory Governments increase funding to financial counselling services.**

#### ***Conclusion***

9.53 Evidence to the inquiry raised concerns in relation to the easy availability of credit and the lending practices of some credit providers and the adverse financial impact this has had on low income households in particular.

9.54 The Committee believes that there needs to be greater regulation of credit providers to minimise the 'debt traps' often faced by low income people; improved consumer education on issues related to credit; and additional funding for financial counselling services so that these services can expand their important work in delivering strategies to allow people in poverty to address their financial difficulties. The Committee believes that the recommendations it has made will address the concerns expressed during the inquiry caused by the easy availability of credit and the lack of effective regulation in this area.

### **Gambling**

9.55 Gambling, and especially problem gambling, was identified during the inquiry as a significant problem for many people on low incomes and a contributor to the incidence of poverty amongst this group. While gambling in Australia takes many forms, the primary focus of evidence to the Committee related to the proliferation of poker machines in casinos, clubs and hotels.<sup>50</sup>

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48 *Committee Hansard* 1.7.03, p.816 (Lismore Financial Counselling Service).

49 Study cited in *Submission* 113, p.7 (FCAN).

50 *Committee Hansard* 2.5.03, p.228 (Salvation Army); pp.273-76 (Mr Booth MHA); 29.4.03, p.62 (SACOSS).

9.56 Submissions emphasised the many negative impacts of gambling on the individual concerned, their family and friends and the wider community, including relationship breakdowns, problems at work, bankruptcy, violence, crime, depression and even suicide.<sup>51</sup> Evidence to the Committee argued that problem gambling is often a reflection of other underlying financial, social or personal problems for the individual involved.

You find that gambling, like any addiction, is usually secondary to the initial problem. When you look at poverty, you look at family breakdown and at unemployment. So you look at all these other triggers of which gambling is just one of the symptoms.<sup>52</sup>

9.57 Social reasons such as the need to combat loneliness also play a part. One witness stated that :

...gambling is there but all it is doing is putting people further into debt – it is not making them poor; they are already poor. They are poor people reaching out for some joy in their life – a quick fix – and gambling is just one of the many that happen to be there.<sup>53</sup>

9.58 A Productivity Commission report into gambling estimated that there are over 290 000 people or 2.1 per cent of Australian adults that can be classified as 'problem gamblers'. This number comprises 130 000 Australians (about one per cent of the adult population) with 'severe' problems with their gambling and a further 160 000 adults estimated to have 'moderate' gambling problems. Problem gamblers comprise 15 per cent of regular (non-lottery) gamblers and account for \$3.5 billion in expenditure annually – about one-third of the gambling industries' market. They lose on average \$12000 each per year, compared with just under \$650 for other gamblers. The Productivity Commission report found that the prevalence of problem gambling is related to the degree of accessibility of gambling, especially gaming machines. It argued that policy approaches to the gambling industries need to be directed at reducing the costs of problem gambling – through harm minimisation and prevention measures – while retaining as much of the benefit to recreational gamblers as possible.<sup>54</sup>

9.59 Some evidence to this inquiry also suggested that while gambling is a problem for some people, the gaming venues such as clubs and hotels, provide a useful social

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51 See, for example, *Committee Hansard* 2.5.03, pp.275-76 (Mr Booth MHA); *Submissions* 190, Appendix 1 (Mr Booth MHA); 110, pp.62-64 (Darebin City Council).

52 *Committee Hansard* 1.5.03, p.171 (Laverton Community Centre).

53 *Committee Hansard* 1.7.03, p.861 (SVDP – Lismore). See also *Committee Hansard* 2.5.03, p.234 (Tasmanian Poverty Coalition); *Submission* 110, pp.62-63 (Darebin City Council).

54 Productivity Commission, *Australia's Gambling Industries*, 1999, pp.2-3.

outlet for many people on low incomes who cannot afford other forms of entertainment.<sup>55</sup>

9.60 Submissions pointed out the disturbing trend of the reliance of State Governments on gaming revenues. The Productivity Commission noted that gambling taxation revenue nearly doubled over the last 10 years and accounted for just under 12 per cent of State and Territory governments' own-tax revenue in 1997-98, ranging from 5.7 per cent in Western Australia to 15.2 per cent in Victoria.<sup>56</sup> In Tasmania alone, State Government revenue from gaming was \$29 million in 1997-98, \$46 million in 2000-01 and \$40 million in 2001-02.<sup>57</sup> Submissions noted that gambling taxation is a regressive form of tax, with lower income groups generally spending proportionately more on gambling – and thus shouldering more of the burden of this tax impost.<sup>58</sup>

### ***Response to problem gambling by increased State regulation***

9.61 In response to growing community concern about the social impact of gambling some States have introduced increasing legislative controls in recent years. The notion of 'responsible gambling' – the provision of gambling services in a way that seeks to minimise harm to customers and the community associated with gambling – has been imported into legislation and industry codes of practice.<sup>59</sup> In New South Wales, Victoria, Queensland and the ACT legislation has been introduced to implement responsible gambling programs. However, responsible gambling in South Australia, Western Australia, Tasmania and the Northern Territory continues to be dealt with through self-regulatory codes of practice.<sup>60</sup>

9.62 The States have adopted varying approaches to gambling regulation. NSW has adopted a 'whole of industry' approach, with legislative amendments for all forms of gambling in that State. The *Gambling Legislation Amendment (Responsible Gambling) Act 1999* enables the Minister for Gaming and Racing to make regulations on responsible gambling. These regulations can be made with respect to the adoption

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55 *Committee Hansard* pp.171-73 (Chelsea Neighbourhood House).

56 Productivity Commission, pp. 9, 52.

57 *Submission* 190, Appendix 2 (Mr Booth MHA).

58 *Submission* 166, p.27 (Salvation Army).

59 For an outline of measures introduced at Commonwealth and State levels since the Productivity Commission report to address problem gambling, see Minister for Family and Community Services, Senator Vanstone, answer to Question on Notice no.1484, *Senate Hansard*, 11.8.03, pp. 13068-071.

60 Legislation passed in these jurisdictions also provides for some degree of industry self-regulation. See McMillen J & McAllister G, 'Responsible gambling: legal and policy issues', Paper presented at the 3<sup>rd</sup> National Gambling Regulation Conference, May 2000, p.8.

of responsible practices in the conduct of gambling; the standards to be observed for the purpose of preventing the misuse and abuse of gambling activities; and prohibiting specified inducements that encourage the misuse and abuse of gambling activities.

9.63 The gaming machine regulations include detailed provisions on the provision of player information, including the chances of winning prizes; the cashing of cheques; the payment of winnings by cheque; cash dispensing facilities; advertising; gambling promotions; and the display of information about problem gambling support services. The Government also introduced a requirement for a social impact assessment to be prepared where clubs or hotels apply to increase the number of gaming machines they can operate.<sup>61</sup> In 2001, the NSW Government announced caps on the total number of gaming machines in NSW and a cap on the number of machines in each club venue, while maintaining the current limit on gaming machines in hotels. A number of harm minimisation measures were also announced including a ban on 24 hour-a-day gaming with gaming machine operations in clubs and hotels to be closed down for 6 hours each day; a ban on off-premises gaming machine-related advertising by clubs, hotels and the Casino; a ban on the advertising, signage and other material which may be seen from the outside of clubs and hotels and a requirement that the Casino and all clubs operating gaming machines establish formal links with one or more problem gambling counselling services.<sup>62</sup>

9.64 In Victoria, the *Gambling Legislation (Responsible Gambling) Act 2000* restricts the number of gaming machines at the Melbourne Casino to 2500 – while retaining the State 'cap' of 30 000 machines; allows for the imposition of regional limits on gaming machines in areas considered vulnerable to problem gambling; prohibits 24-hour gaming venues in rural and regional areas (in metropolitan areas, venues can apply for a 24-hour licence on certain conditions); provides for a mechanism for local councils to have input into the placement of gaming machines in their area; and gives the Government power to make regulations with respect to the provision of relevant information about gaming to the players of gaming machines; and the advertising of gaming.<sup>63</sup>

9.65 The principal harm minimisation measures that have been introduced are detailed below.

- smoking is banned in gaming machine areas in gaming venues;
- the provision of player information on the odds of winning is to be provided; and a reduction in gaming machine spin rates below current levels is prohibited;

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61 McMillen & McAllister, pp.8-9.

62 NSW Government, 'Gaming Reform', *Media Release*, 26.7.01.

63 McMillen & McAllister, p.11.

- gaming venues must be adequately lit and all gaming machines must have the time of day displayed;
- limits apply on access to cash from ATMs and EFTPOS facilities; cash withdrawals are prohibited from credit accounts from ATMs and EFTPOS facilities; \$100 note acceptors are banned on gaming machines; loyalty card schemes are subject to tighter controls;
- all venues, except those approved for 24-hour trading, are required to shut down for a minimum of four hours;
- restrictions on advertising apply – including a ban on inappropriate advertising relating to the playing of gaming machines and a ban on advertising that glamorises gambling; promotes gambling as a strategy to improve a person's social status or financial position; or offers inducements to start gambling on gaming machines.<sup>64</sup>

9.66 Witnesses commented favourably on recent Victorian Government initiatives, especially the smoking ban which it was argued would have a significant positive effect.<sup>65</sup> Darebin City Council stated, however, that the issue of trading hours remains a problem with local government unable to restrict trading hours for hotels and clubs in Victoria. The Council noted that 'we have a venue directly opposite the council that operates 24 hours a day, and we know a lot of people in our area will end up there on a winter night for the free coffee, which is still being provided, even though they have to smoke outside now'.<sup>66</sup>

9.67 South Australia recently introduced strict new Gambling Codes of Practice, to be implemented early in 2004, to address problem gambling. The Codes will require gambling venues to show the time of day in all gambling areas; display a warning message in the form of a Helpline sticker on each machine, on gaming tables and on ATMs; display responsible gambling information in English and five other languages; prohibit the serving of alcohol to patrons at gaming machines; ensure all staff receive training to help them identify problem gamblers and on intervention techniques; and introduces advertising restrictions.<sup>67</sup>

9.68 The deleterious effect of the widespread availability of gaming machines in hotels and clubs and the lack of effective regulatory controls in some States were commented on during the inquiry. In the case of Tasmania, Mr Booth MHA

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64 Gambling Research Panel, *Harm Minimisation Policies in Victoria*, n.d., pp.1-8.

65 *Committee Hansard* 1.5.03, pp.134-45 (Darebin City Council).

66 *Committee Hansard* 1.5.03, p.147 (Darebin City Council).

67 SA Minister for Gambling, 'Tough new gambling codes of practice for SA', *News Release*, 7.12.03.



commented that 'poverty will not be overcome whilst the community is exposed to the current level of readily accessible gaming machines'.<sup>68</sup> Anglicare Tasmania also commented that Tasmania:

...has all the worst practices that you see on the mainland, so we have buses running from disadvantaged areas to the casino on payday, free tea and coffee and child care provided, movies with children and those practices. We have no betting limits on our machines and we have a monopoly by Federal Hotels to provide all the machines...the community has consistently indicated in surveys that they want no more gambling machines.<sup>69</sup>

9.69 A number of possible approaches were referred to during the inquiry to address the problem of gambling, especially in relation to gaming machines. These included:

- the banning of gaming machines in hotels, clubs and other venues;
- a moratorium on further increases in gaming machines in hotels and clubs and a moratorium on further licensed premises being granted gaming licenses;
- various harm minimisation measures, such as restrictions on trading hours and improved information to gamblers, including the chances of winning prizes, as outlined above;
- a ban on gambling advertising or limits placed on the promotion and advertising of gambling;
- social and economic impact studies on the immediate and long-term effects of any proposed expansion of gaming machines; and
- a review of the adequacy of current funding and services for problem gamblers and their families.<sup>70</sup>

9.70 The need for a national approach to gambling with the Commonwealth taking a leadership role in co-operation with the States, especially in light of the varied approaches adopted by the States in relation to the regulation of gambling, was argued in evidence.<sup>71</sup> The Salvation Army noted that the Commonwealth had taken a positive

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68 *Submission* 190, p.6 (Mr Booth MHA). See also *Committee Hansard* 2.5.03, pp.273-76 (Mr Booth MHA).

69 *Committee Hansard* 2.5.03, p.235 (Anglicare Tasmania). See also *Committee Hansard* 2.5.03, pp.234-35 (Tasmanian Poverty Coalition/Tasmanian Catholic Justice & Peace Commission).

70 *Submissions* 190, Appendix 1 (Mr Booth MHA); 110, p.64 (Darebin City Council); 166, pp.27-28 (Salvation Army).

71 *Committee Hansard* 29.4.03, p.62 (SACOSS).

leadership role in relation to the Partnerships Against Domestic Violence initiative and suggested that a similar approach would be useful in response to gambling and its impact on individuals, families and the community.<sup>72</sup>

### **Conclusion**

9.71 The Committee is concerned that gambling, and especially problem gambling, is having an adverse impact on the lives of many Australians and is impacting on the incidence of poverty and hardship in the community. The Committee recognises that gambling provides a useful social outlet for many people unable to afford other forms of entertainment and its concern is primarily focused on problem gamblers.

9.72 The Committee considers that there needs to be a national approach to problem gambling that addresses current deficiencies in the various State regulatory regimes without interfering in the legitimate rights of recreational gamblers to participate in this form of social activity. The Committee notes that at a recent meeting of the Ministerial Council on Gambling the Commonwealth and the States supported the development of a 'national framework' on problem gambling and requested officials to develop a structure for the framework by April 2004, with a view to it being endorsed by Ministers at the next meeting of the Council in 2004.<sup>73</sup>

9.73 The Committee acknowledges the positive role played by the Commonwealth in the Ministerial Council and notes the future commitment stated by the Prime Minister in correspondence to the President of the Senate that 'while state and territory governments have primary responsibility for this issue, I remain committed to the Australian Government providing strong national leadership in combating problem gambling'.<sup>74</sup>

### **Recommendation 40**

**9.74 That the Commonwealth Government, in co-operation with State Governments through the Ministerial Council on Gambling, continue the development of a national approach to problem gambling, and that this approach examine:**

- the adequacy of current regulatory mechanisms;**
- the need for further harm minimisation and prevention measures; and**
- the adequacy of support services for problem gamblers and their families.**

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72 *Submission 166*, p.28 (Salvation Army).

73 Ministerial Council on Gambling, *Joint Communique*, 21.11.03.

74 Prime Minister to President of the Senate, dated 6.11.03, in response to a resolution of the Senate of 8.10.03. Letter tabled in Senate on 10.2.04.

## CHAPTER 10

### WOMEN AND SOLE PARENTS

10.1 Women continue to be at risk of poverty in Australia. Elderly single women and female sole parents are overrepresented in groups living on low incomes. This chapter addresses issues of women and poverty and specifically sole parents.

#### **Woman and poverty**

10.2 Recent research indicates that the poverty rate for men and woman is very similar – 12 per cent for women and 12.5 per cent for men. This is a significant improvement in the poverty rate experience by women and is primarily attributed to the improved position of sole parents. In the past, sole parents had contributed significantly to a high female poverty rate. In addition, 'the rising tide of poverty among single people younger than retirement age seems to be impacting more on men than women'.<sup>1</sup>

10.3 While the position of women has improved, there are still considerably more poor women in sole parent families than there are men (104,000 compared with 34,000) and there are 106,000 poor single women over 65 as compared with 40,000 men in this group in 2000. However, the number of poor single men under 65 years of age is 409,000 compared with 259,000 poor single women. It was concluded that 'this reflects labour market changes during the past decade, with men now facing higher unemployment rates than women. In turn, this reflects the relative contraction of the manufacturing industry and expansion of service sector jobs'.<sup>2</sup>

10.4 The key causes of poverty among women, particularly female sole parents, are:

- the continuing inequality of wage levels, with women's wages still being generally lower than those of males;
- the nature of the work which women are more inclined than males to do, which is more likely to be part-time or casual or precarious in nature;
- the high costs of child care;
- the high costs of education;
- lack of access to affordable housing;

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1 Harding, A, Lloyd, R & Greenwell, H, *Financial Disadvantage in Australia 1990 to 2000: The persistence of poverty in a decade of growth*, Smith Family, 2001, p.15.

2 Harding , Lloyd, R & Greenwell pp.15, 23.

- insufficient income support for the needs of many sole parent families;
- the impact of 'shared-care' changes to the Family Tax Benefit; and
- lack of wealth accumulation during working life to support retirement incomes.

### ***Women and work***

10.5 A significant trend in labour force participation has been the increasing participation rates of women. This has been exhibited across all age ranges, other than the youngest (reflecting higher education participation) and the very oldest.<sup>3</sup>

10.6 For women, the presence of children has a significant impact on their labour force participation. Women with dependents have lower participation rates than women without children. While the participation rate rises along with the age of the youngest child, it is not until about 50 years of age that the rates of those women with dependent children match that of those with without dependent children.

10.7 It is mothers, not fathers, who generally make the major accommodations in balancing family responsibilities with employment. Mothers are more likely to choose part-time work when their children are young, with the split between part-time and full-time employment evening out as the youngest child ages. However, the Department of Families and Community Services (FaCS) noted that partnered mothers are more likely than lone mothers to be engaged in employment: in January 2003, labour force data shows that 59.5 per cent of partnered mothers and 44.1 per cent of lone mothers with children aged less than 15 years were employed. The gap tends to diminish as children age but a gap still remains. For example, among mothers with a youngest child aged 15-24 years, 68.2 per cent of single mothers and 73.6 per cent of partnered mothers are employed.<sup>4</sup>

10.8 Time out of the workforce to have and to raise children is a significant cost for women, both during the period out of the workforce, and over a women's lifetime. Costs include reduced skill levels relative to other workers and slower career progression. Women with younger children often choose part-time work. This further adversely impacts on skill development and career advancement.

10.9 Interruptions to careers and part-time work have significant impacts on the ability of women to save for retirement. This may cause particular difficulties in the event of the breakdown of relationships.

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3 *Submission* 165, p.29 (FaCS).

4 *Submission* 165, pp.22-23 (FaCS).

10.10 While women with dependent children may choose part-time work a further matter referred to in evidence was wage inequality. The ACTU stated that women still do not have equity in wages:

But in fact women on average, when you aggregate all of that compounded restructuring of the work force, take home more than \$200 less a week than their male counterparts. Even if you go to full-time sectors – and I would argue that those sectors underpin the very basis of our community: health, education, finance, hospitality and retail – the full-time pay gap between men and women is about 12 per cent. At all levels of the occupational hierarchy, women are predominantly located at the lower end of the wages spectrum.<sup>5</sup>

10.11 The Committee heard evidence that some women are turning to prostitution, not only for the money but also for other reasons such as the availability of child care and accommodation.

Recently we conducted research into young women's legal needs. We ran a focus group with young sex workers under 25 years of age. All these young women were mothers. They cited the punitive attitudes of Centrelink staff as a barrier to improving their circumstances. They chose sex work because they were able to access night-time childminding from family and friends. The income from this work enabled them to work less hours and to provide better housing and schooling for the children and to escape poverty.

*Committee Hansard* 28.7.03, p.1004 (Youth Legal Services of Australia).

Two weeks after they arrived in town, the mother told one of our volunteers that she had found the solution to their problems as she had found a job earning \$800 a week with free accommodation. That was working in an escort agency as a prostitute. She has three children who would now be between the ages of 11 and 16. That is perhaps a more extreme example, but it is an example of some of the situations that people are forced into because they feel that they have no other option.

*Committee Hansard* 28.5.03, p.526 (St Vincent de Paul Wollongong).

### ***Impact of part-time and casual work***

10.12 For women, part-time and casual work comprises almost half of the paid work undertaken. Approximately 60 per cent of all casuals are women.<sup>6</sup> Part-time and casual work was more prevalent in rural and regional areas. In rural Victoria for example, more than half of women's paid work is either casual or part-time.<sup>7</sup>

5 *Committee Hansard* 30.4.03, p.100 (ACTU).

6 *Submission* 51, p.13 (Women's Action Alliance).

7 Colvin, K, *The Women and Poverty Report: 'More than half-less than equal'*, VCOSS, October 2001, p.16.

10.13 Many women choose part-time or casual work in order to balance child and family responsibilities. However, working part-time or as a casual affects women's employment security, career opportunities, superannuation entitlements, their bargaining power in the workplace and their ability to plan daily life. Women employed in highly casualised industries such as hospitality commonly work in poor conditions. Women may be forced to accept situations including unpaid overtime, less than award pay, split-shifts and being disallowed breaks.

10.14 Casual workers are often dependent for each week's roster on the goodwill of their employer and have little, if any, bargaining power with regards to hours of work. Women are often forced to juggle paid work and work in the home as rosters can be unpredictable. This is especially difficult if there are young children in the family and creates high levels of stress. The Women's Action Alliance stated:

The workplace has become increasingly 'flexible' in respect of working hours, and women increasingly find themselves in casual employment because that is all that is available...They find casual work very difficult for a number of reasons, but probably the most important is that they have no guarantee of the number of hours they work in any week or what hours they work in any week. When you have a family, that is enormously difficult to negotiate your way around. You may suddenly get a call to be in on a particular day and you cannot arrange child care or it is just not feasible. If you have part-time employment, where you know that you are working 12 hours a week or 16 hours a week or whatever, and it is on these set days—you might have some degree of flexibility in when you come in, if that suits the employer—that is a bit different. But to work eight hours one week and 24 the next—which can happen, particularly in retail and in some of the nursing professions and that sort of thing—can provide enormous difficulties.<sup>8</sup>

10.15 Casual workers are not entitled to sick leave, maternity leave, holiday pay, study leave, carer's leave or public holidays. Often casual workers are paid cash-in-hand so have no access to minimum award conditions, work cover or superannuation. The Women's Action Alliance noted that:

Most of the time casual workers, especially women, are working in small business situations and according to the anecdotal evidence of Women's Action Alliance members, are too afraid to claim workers compensation when injured in case they lose their job altogether.<sup>9</sup>

10.16 The problems associated with increased casualisation of work are not limited to the female workforce. However, when these problems are coupled with family and caring responsibilities, women in the casual workforce face stresses which impact on

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8 *Committee Hansard* 27.5.03, p.429 (Women's Action Alliance).

9 *Submission* 51, p.14 (Women's Action Alliance).

their families, their health and wellbeing and access to further employment opportunities.

### ***Women in retirement***

10.17 Lower wages, career interruptions and part-time or casual work all impact on the ability of women to save and plan for retirement. Research by NATSEM shows that many women face bleak retirements because they lack adequate superannuation. Of those women contemplating retirement by 2010 about 10 per cent will have accumulated less than \$27,300 by the time they retire. While this is an improvement since 1993 when women's average superannuation was only \$9,647, it still leaves many women vulnerable to poverty in old age.<sup>10</sup>

10.18 The level of superannuation at retirement depends on a number of factors:

- earning capacity: women's earnings are 66.8 per cent of men's;
- longevity: Australian women have a longer life expectancy than men and therefore have a longer dependency on superannuation and other retirement savings;
- age at which work is ceased;
- time spent not in the paid workforce: women generally are the main providers of child care in families and spend more time out of the workforce after children are born, they are also more likely to work part-time or casually until children enter school;
- access to superannuation: in August 1999, 90 per cent of employed men and 87 per cent of employed women received superannuation as a employment benefit.<sup>11</sup>

10.19 The Shop Distributive and Allied Employees' Association (SDA) argued that as women often have interrupted careers, the 'government should address the position of those with non-standard employment careers such as those who have interrupted labour market involvement in order to be able to raise children or to care for other family members'. The SDA suggested that a mechanism should be established to allow superannuation contributions to be split between the wage earning spouse and the non-wage earning spouse.<sup>12</sup>

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10 *Submission 50*, p.74 (SDA).

11 Colvin, p.21.

12 *Submission 50*, p.74 (SDA).

### *Child care*

10.20 The availability of child care can assist women to participate in the paid work force and to undertake education and training. Access to quality child care is not only of benefit for working parents; quality child care also provides access to learning and social development that may not be available in the home. This has been shown to be particularly important for children from disadvantaged backgrounds and for children whose families are dealing with homelessness, family violence or other problems. However, the affordability of child care, especially for parents with low wages, and access to child care for non-working parents remain major concerns.

10.21 ACOSS commented that unpublished ABS data on females marginally attached to the labour force show that problems in accessing child care is a significant reason for many women not actively seeking work. The ABS estimates that there were 104,000 women not actively seeking work due to problems with child care in September 1990, and 102,000 women not actively seeking work for the same reason in September 1999.<sup>13</sup>

10.22 Families have access to child care services including Long Day Care, Family Day Care, in-home care, Occasional Childcare and Out of School Hours Care. The Commonwealth provides assistance to families using child care services through the Child Care Benefit. The Benefit is paid to families using either formal child care or informal (registered) child care. Up to 50 hours of child care benefit a week is available for each child if both parents, or the sole parent, are working, studying or training; otherwise, 20 hours a week is available. A major priority of child care places is for families with parents who are working, looking for work, studying or training; these account for around 91 per cent of Commonwealth-funded child care places.

10.23 This subsidy either reduces fees at a child care service, or can be paid as a lump sum to parents at the end of the year. The benefit is income tested on family income. As at June 2002, there were 486,300 families plus up to 23,100 potential lump sum claimants for Child Care Benefit.

10.24 Child Care Benefit subsidies around 70 per cent of child care cost for a low income family (that is, with combined income less than \$30,806). The Commonwealth allocated around \$8 billion over four years from 2002-03 for child care. In 2001-02 it spent over \$1.6 billion which covered around 720,000 children in approved (formal) care. Of the around 508,000 families with children in approved care, an estimated 37 per cent are low income families.<sup>14</sup>

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13 *Submission* 163, p.151 (ACOSS).

14 *Submission* 165, pp.36,39-40 (FaCS).



10.25 Witnesses to the inquiry noted that increased subsidies have not kept pace with fee increases especially in the long day care sector. Women on low incomes still find the gap between the cost of care and the Child Care Benefit prohibitive.

For families with younger children under the age of five, child care is a real problem. To get child care in Newcastle, even with government subsidy, it is going to cost you \$100 a week. If you are earning \$300 a week, you cannot afford \$100 of that in child care, so low income families are tending to use informal child care. We hear of children being in the care of seven or eight different carers every week, maybe every day sometimes, so that is very unsatisfactory child care for low income families, and that is where poverty starts for those children. As part of the gateway into employment in this region, casual work and part-time work is often the way to go. That is very family unfriendly. It is very hard to organise your child care when you do not know where the next job is coming from or what the time will be.

*Committee Hansard 29.5.03, p.567 (Samaritans Foundation, Newcastle).*

10.26 Witnesses also noted that asylum seekers and recent migrants are not eligible for any Child Care Benefit. This not only impacts adversely on their ability to find employment but also to attend English-language and other courses.

10.27 Access to child care places was a further matter raised. In some areas there are shortages of child care places and competition for available places increases the cost of child care. This makes child care less affordable for women who wish to take up employment. In this instance, women may choose not to enter the work force or to limit their hours so that their child care costs are kept in check.

10.28 In disadvantaged and rural areas private child care operators may be unwilling to open services because of concerns with commercial viability. In such circumstances families have little if any choice of child care providers even though children from disadvantaged areas have the most to gain from quality child care:

...in poor areas we know that child care is good for kids, particularly kids who are abused and neglected. Child care is a standard preventative strategy for kids who are abused and neglected. But in poor areas the bad debt, the inability to pay for child care, is a huge deterrent to what is a very good preventative service. There are limitations on the number of places for children at risk in [Child Care Benefit] funded services. There is no recognition of the fact that because a child is at risk that is a good reason for them to go fully to child care. We need to look at how many places are available for vulnerable children within these child-care settings.<sup>15</sup>

10.29 With increasingly flexible working environments, parents are seeking more flexible child care services. However, for those working evenings, nights or weekends the choice of child care arrangements are still very restricted with most child care

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15 *Committee Hansard 2.7.03, p.929 (Barnardo's Australia South Coast).*

services open between 8am and 6pm. In order to manage child care needs across the week, many families use multiple child care arrangements. Services used may include occasional care, a child care centre, and friends and family members. Using multiple services can be disruptive to the child and family, difficult to organise and increase stress in the family.

10.30 Many witnesses supported increased funding for additional child care places, increases in the Child Care Benefit and increased access for disadvantaged children:

It is clear now that government spending on the provision of high-quality child care is not an expense on the public purse; it is in fact an investment in giving all children in Australia the best start in life so that they can reach their potential, minimising later costs on the public purse where child development is interrupted or diminished in any way through poverty, deprivation or other risk factors.<sup>16</sup>

### **Recommendation 41**

**10.31 That the Commonwealth provide additional funding to increase the number of child care places available, particularly in disadvantaged areas.**

#### ***Domestic violence***

10.32 Many women leaving situations of domestic violence face personal and social disruption and often find themselves in dire financial circumstances. They may have left the family home with few possessions, no further access to joint financial resources, with injuries and traumatised children. Women in this situation must confront the demands of finding alternative housing and income security. They have to find immediate emergency accommodation as they often cannot or are unwilling to draw family and friends into their domestic crisis.

10.33 Furthermore, women who have been out of the labour market for some time find that their employment opportunities are limited. In some cases already employed women have to abandon their employment for fear of being located by a violent partner. Many women move away from friends and family to escape violence, resulting in the loss of support networks which compounds stress and isolation. The Australian Federation of Homelessness Organisations (AFHO) also noted that mothers face another challenge in the knowledge that the health of their children, especially their mental and emotional well-being, can be seriously affected from having lived in an environment of fear, uncertainty and insecurity over a protracted period.<sup>17</sup>

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16 *Committee Hansard* 1.5.03, p.200 (Ms B Romeril).

17 *Submission 57*, p.17 (AFHO).

10.34 Victims of domestic violence face the very real prospect of poverty for themselves and their children. Some women choose to stay in violent relationships rather than live in poverty.

I would like to share the case study of a middle-class woman with a background in nursing who has just come to our services with a history of domestic violence for the past five years. She has stayed in the relationship through the fear of poverty, through the fear of having to leave with no income and through the fear of taking her children out of private education. So the fear of poverty can also keep people in dangerous relationships.

*Committee Hansard* 28.5.03, p.524 (St Vincent de Paul, Campbelltown).

10.35 Many agencies indicated that services for victims of domestic violence are stretched, in particular accommodation suitable for both for women and children and men and children. AFHO stated 'many of them go to the street. Some of them stay in unsafe situations. I have known women and children escaping domestic violence who stay at home and in fear of their lives because there are no beds available.'<sup>18</sup>

10.36 While refuges may provide a temporary respite if a place is available, many women find it difficult to access secure and affordable long-term housing. As noted in Chapter 6, the waiting lists for public housing are long and often do not address the immediate needs of women and children escaping domestic violence. Many women are not able to access private rental. In this situation women 'frequently are left prey to the predatory group of sub-standard accommodation providers, or the option of returning to the family home if it still exists'.<sup>19</sup>

10.37 Women may have to seek accommodation away from their communities:

If you escape domestic violence, you often have to move long distances and you are often tracked, and so those women and those families will have to keep moving.<sup>20</sup>

For both the children and the mother, moving from place to place is disruptive and adds to the difficulties of an already traumatic situation.

### ***Women in rural and regional areas***

10.38 The Women and Poverty Forum conducted by VCOSS, the Council of Single Mothers and their Children and YWCA Victoria canvassed the issues of poverty facing women in rural and regional Victoria. The Forum found that the primary issue

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18 *Committee Hansard* 20.6.03, p.726 (AFHO).

19 *Submission* 93, p.3 (Lismore Women's and Children's Refuge).

20 *Committee Hansard* 28.4.03, p.57 (SACOSS).

raised by participants from rural and regional Victoria was the isolation and loneliness of women in country Australia. Women were also concerned about:

- difficulties in accessing services that were sensitive to women's needs and that provide choice, anonymity and confidentiality;
- income support payments that were not adequate to meet the costs of living in rural and regional areas;
- the lack of suitable work, particularly work that can be balanced with family responsibilities;
- accredited child care is often not available in rural areas which severely limits women's employment options;
- in many areas there is no bulk billing of medical services;
- there are an inadequate number of doctors, particularly female doctors, in rural and region areas; the lack of female doctors is particularly a concern for Muslim women;
- lack of public transport limits work, education and social opportunities; and
- access to services for women who are victims of family violence is limited and may be further restricted by lack of anonymity and confidentiality.<sup>21</sup>

### ***Migrant women and poverty***

10.39 Migrant women face many challenges when settling in Australia, particularly women who arrive from non-English speaking countries. Many women who have come to Australia with the expectation of a better life, often find themselves struggling to maintain even a basic standard of living post-arrival. New migrants and many asylum seekers are excluded from government services and income support and often face problems in getting access to the full range of services they need.

10.40 Migrant women find their employment options are limited, are often exploitative and commonly discriminate, particularly if their English language skills are poor.<sup>22</sup> Lack of recognition or undervaluing of overseas qualifications can also lead to poverty. Migrant women may be forced to take the first job available rather than a job that reflects their training and skill level. Many migrant women find work in the manufacturing sector, particularly in the clothing industry, through sub-contractual arrangements. The pay is poor and the hours are long.

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21 Colvin, pp.28-29.

22 Colvin, p.12. See also *Committee Hansard* 30.4.03, p.83 (VCOSS).

### **The story of a migrant outworker**

I came from China twelve years ago, and I have two children. Firstly I worked in a sweatshop and after I had my second child I started working from home.

At home, the boss just gives me over locking work for part of the garment, so I don't make whole garments. Because of this I am not always busy, as I have to wait for someone else to finish the rest of the garment. I only work about 6 hours a day. The boss gave me the machine to use, so I am not able to get other work from other contractors to increase my income. Even though the boss gave me the machine I have to pay for any repairs if it is broken.

I am very fast at sewing, but my rate of pay is still very low as the piece rate is low. I usually can get about \$6 an hour. When I first started working at home I was actually getting \$8-9 an hour because I was fast. The boss was surprised that I was so fast, so he reduced the rate he paid me for future orders of the same style.

Because my husband's income is very low it is not enough for our family to survive, so I must keep this job. Sometimes the sewing work gets busy with large, urgent orders, and then I don't have time to look after my children properly. At these times I get a lot of pain in my back and neck. There is also a lot of dust in the house from the material, so my children and I often get sick from this.

All these things make me really upset and I want to give up sewing, but I don't have any choice about getting another job. Even if I can only make \$100 to \$200 in a week that is very important income for my family.

...One of the dresses I made for Sussan I later saw in the shop for \$50. I received \$1 for doing the over lock sewing on that garment, which was about half the total sewing. In Sportsgirl I saw a top I had made selling for nearly \$30 and I only received 60 cents per garment for over locking, which was most of the sewing for that garment.

In addition to these low rates of pay, I did not receive any superannuation, holiday pay, sick pay, overtime pay and I am not covered for workers compensation.

I am telling my story because I want people to understand the outworkers situation and the bad conditions in which your clothes are made. I want the government to take steps to stop this exploitation. They must force the retailers to take responsibility for the clothes they sell. I don't want my children to experience the same injustice I have suffered.

*Submission 153, pp.7-8 (IWSA).*

10.41 In addition to low pay, working migrant women often face costs not generally faced by the rest of the community:

- poverty in their own community means informal support – including meals, baby-sitting, assistance with housing, transport and education etc – are less available, and if needed must be paid for;
- poverty in their own community means those with employment are asked to contribute to community needs at a greater rate;
- poverty in countries of origin mean many immigrant women are sending money out of Australia; and

- laws only applying to immigrants, such as those related to English language skills and testing; translation of documents; waiting periods for health and other benefits; the payment of fees in educational institutions, mean immigrant women incur costs others in the Australian community do not.<sup>23</sup>

10.42 Many older migrant women find accessing mainstream services difficult. When they do try to gain access, cultural, linguistic and historical differences present barriers and obstacles.<sup>24</sup>

10.43 Through its work, the Immigrant Women's Speakout Association (IWSA) identified a number of problems facing migrant women. IWSA was concerned that lack of understanding by services agencies sometimes exacerbated the poverty of some migrant women. Migrant women are also particularly vulnerable to the penalty provisions under the social security legislation and experience more difficulties in making applications and accessing mainstream services. In some instances service providers do not take into account the special laws applying to migrant women.

A mainstream women's service received a referral from IWSA for an Asian woman suffering an intolerable situation of domestic violence. There was no actual physical violence, but the use of threats, implied violence and deprivation of money, freedom of movement and the right to undertake education. The counsellor from the mainstream service –

1. Misinterpreted the victim's communication [due to cultural and linguistic reasons] and incorrectly concluded this was not a case of domestic violence;
2. Was not familiar with domestic violence provisions of Australia's immigration law, and did not advise that these applied to the victim's situation;
3. Due to the above two factors, advised the victim that no financial support or health services were available to the victim or her child [who was an Australian citizen, as her father was an Australian citizen], and that she should return to her "own country".

As a result the victim remained in Australia [she thought illegally], without income, relying on friends for accommodation and hoping not to get sick or have an accident requiring medical treatment. She experienced months of abject poverty, when under Australian law she was entitled to permanent residence, a range of Centrelink benefits and Medicare.

*Submission 153, p.2 (IWSA).*

10.44 As highlighted in the above case, domestic violence is major issue for migrant women. IWSA stated that it saw a pattern of increasing homelessness for migrant women and children who are escaping situations of domestic violence. VCOSS also noted that migrant and refugee women who are attempting to escape family violence

<sup>23</sup> *Submission 153, p.5 (IWSA).*

<sup>24</sup> *Submission 153, p.2 (IWSA).*

are particularly vulnerable if they are unable to access social security or safe, adequate and affordable alternative housing.<sup>25</sup> AFHO added that under domestic violence provisions of the Immigration Act women from non-English speaking backgrounds can apply to change their visas. However, 'there is no expeditious procedure for their application to be reviewed, and often women are placed in the intolerable position of either having to stay at a crisis accommodation service indefinitely or return to their violent partner'. An added problem is the lack of financial support from the Commonwealth during visa application and review periods as many medium term or transitional accommodation providers will not accept women without an income.<sup>26</sup>

10.45 IWSA also indicated that it often dealt with women who marry Australian citizens, believing that their husbands have taken care of visa arrangements when in fact they have not done so. The women remain in Australia without a spouse visa, and they do not progress to a permanent spouse visa and citizenship. If domestic violence arises and their situations become intolerable, they leave for their own personal safety. As they are in effect illegal non-citizens without a spouse visa, they have no access to the domestic violence provisions of Australian immigration law, which only applies to temporary visa holders. Many prefer to stay on illegally, rather than return to their country of origin. Some return to their situation of domestic violence, enduring further abuse in the hope their husband will arrange their temporary spouse visa allowing them to remain legally. IWSA indicated that it believed an expansion of the domestic violence provisions to cover such cases is urgently needed in the interests of addressing the injustice and threats to these women, and to address the poverty facing these women when they choose to escape domestic violence.<sup>27</sup>

### **Sole parents**

10.46 The sole-parent population in Australia has more than doubled since 1974. In 2002 there were 508,300 one-parent families with children aged 0-14 years.<sup>28</sup> In 1997 there were 162,800 sole parent families with at least one child under the age of 5 years. Most sole parents are women (84 per cent in 1997).

10.47 Studies indicate that while the poverty rate for sole parents declined over the 1990s, sole parents still face a high risk of poverty. Using the before-housing half average income poverty line, that the poverty rate for individuals living in sole parent families in 2000 was 21.8 per cent. Whilst one in five individuals in sole parent families remains in poverty, this rate is lower than the 28 per cent rate of poverty faced in 1990.

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25 Colvin, p.14.

26 *Submission 57*, p.28 (AFHO).

27 *Submission 153*, p.3 (IWSA).

28 AIHW, *Australia's Welfare 2003*, p.219.

10.48 The decline in poverty for sole parents has been due to the implementation of government policy initiatives including greater generosity to assist low income working families with children such as family income supplements; increases in social security pensions; increases in allowances for example, rent assistance and the extension of rent assistance to a wide-range of low-income families with children who rented privately; and the introduction of the Child Support Scheme.

10.49 However, despite the decrease in the poverty rate, sole parent families still face the highest risk of poverty of all family types. Sole parent families with more than one child faced a higher risk of poverty: the poverty rate for individuals in sole parent families with more than one child was 25.9 per cent compared to 15.4 per cent with only one child. Although sole parents have the highest risk of poverty, sole parent families make up only 13 per cent of all Australians in poverty.<sup>29</sup>

### ***Low income sole parent families***

10.50 Submissions also provided evidence that indicated the hardship faced by sole parents. The Smith Family's research into spending patterns of low income families shows that many sole parent families find it difficult to make ends meet. For example, in low income sole parent families, almost one-quarter of the total weekly spending is devoted to current housing costs. This compares unfavourably to total sole parents who devote 17.7 per cent of weekly spending to housing and 14 per cent recorded by the average Australian households.

10.51 Low income sole parents spend the highest proportion of their budgets on essentials. For example, a high proportion of their income is spent on food: 22.4 per cent. In total, housing and food account for just under half of the total weekly spending of low-income sole parents. Alcohol accounts for only one per cent of total spending. However, spending on smoking accounts for 3.6 per cent of total weekly spending.<sup>30</sup>

10.52 Examples of the difficulties of making ends meet were provided by TasCOSS:

I can't afford basic food. I have a 16-year-old boy who was always hungry. He eats a loaf of bread a day. One standard loaf of bread a day costs \$1000 per year out of an income of \$12,000 a year.

...

I've had days when I've gone without food to feed the kids. I've done that a lot, you get used to it. It probably happens every couple of months—when the Hydro [electricity] bill comes in.<sup>31</sup>

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29 Harding, Lloyd, R & Greenwell pp.7-8.

30 *Submission 172*, pp.26,37 (Smith Family).

31 *Committee Hansard 2.5.03*, p.218 (TasCOSS).



10.53 Other spending by low income sole families is limited by the impact of housing and food costs. Spending on recreation and transport is low: only 9 per cent on each item. The Smith Family noted that the spending on recreation was a particularly low figure given that these are households with children while the average Australian household spends 16.8 per cent on transport. Only one in every two adults living in a low income sole family owns a car (compared with 73 per cent generally). Those without a car must rely on public transport. However, as VCOSS noted, access to public transport is often difficult because either the services do not exist or the cost is too high. This 'has an impact on poverty, and in particular, on women and women with children'.<sup>32</sup>

I have been a sole parent for 10 years. I bought a house from the property settlement from my ex for \$65,000. My girls were then eight and 10. I continued working, studying and providing a consistent environment for them. As they entered high school, I battled to pay for uniforms, fees, music and dance lessons. The extracurricular activities and sport had to go to pay for books and ever-increasing shopping bills, quarterly bills, rates and GST.

My youngest daughter was diagnosed with diabetes four years ago and my grocery bill rose substantially. I started having to pay for ophthalmic and cardiology specialist visits, specialist appointments, podiatry and things not covered by her low-income health care card or Medicare. I had to juggle credit cards which kept us in comparative poverty and my debts kept increasing. There were no holidays or anything special and the girls worked or taught music after school to pay for excursions and clothes. My house is old and run down and, just when I thought I could pay the electricity bill, the roof would leak, the plumbing would explode or the fridge would break. Thanks to the property boom, I have been able to consult and refinance twice in the last 10 years just to keep basic maintenance on the house. It shows a lot of signs of water damage inside which devalues it considerably. Bank fees and interest rates are eating into my pay. My 10-year-old car is needing costly repairs—I have just had to borrow \$1,000 to get it through registration.

I take home \$458.60 a week which should be enough to live on, but it is not. My eldest daughter has dropped out of university. She was accepted in Sydney last year but could not keep up with the accommodation and living expenses, and I could not help her. My youngest daughter has just pulled out of year 12 to get extra hours in a pharmacy where she works after school because she is sick of me being broke. She helps out a lot with the shopping. Her medication costs \$50 a week. A lot of people work hard and by the age of 50 are looking for some financial independence in the future. I have worked very hard in a stressful but intrinsically rewarding career to achieve a debt of \$120,000, which is twice what I had 10 years ago and I have got even less to show for it. It is not through mismanagement, it is just to keep a roof over our heads and care for my children, and I believe they should eat properly.

*Source: Committee Hansard p.590, 29.5.03, (Ms S Cant, LHMWU).*

10.54 Other characteristics of low income sole parent households include:

- children of low income sole parents are overwhelmingly in public schools rather than non-government schools;
- telecommunications absorb a higher proportion of household spending than for high-income households; and
- there is little saving, less than \$4 per week compared to the Australian average of \$83.<sup>33</sup>

10.55 Relief agencies also submitted that high numbers of sole parents were seeking assistance and that this indicated their relatively high level of hardship. An analysis of ACOSS emergency relief applicants by family type in 1999 showed that 31 per cent applying for relief were sole parents.<sup>34</sup> Mission Australia stated 'many sole parents use our services. One of our managers said they stand out as one group that experiences significant financial stress...whether that is in relation to accessing welfare services or the costs of heating, meals, food and general community participation.'<sup>35</sup> Sole parents are also over-represented amongst homeless families, comprising 85 per cent of families pressing for assistance through SAAP services.<sup>36</sup>

10.56 There are a number of factors that influence the high rate of poverty of sole parents:

- labour market disadvantages of sole parents, including:
  - the difficulties of one parent combining work with parenting, including the lack of another parent to care for children and therefore a greater reliance on paid child care;
  - the gender and educational disadvantage of sole parents; and
  - discrimination against sole parents in the work force;
- their disadvantaged position after marriage separation. While the introduction of the Child Support Scheme has helped reduce the unequal situations of custodial and non-custodial parents following separation, problems still remain including the higher costs of separated families;

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33 *Submission 172*, pp. 26, 37 (Smith Family).

34 *Submission 163*, p.78 (ACOSS).

35 *Committee Hansard 26.5.03*, pp.331-32 (Mission Australia).

36 McClelland A, *'No child...'* *Child poverty in Australia*, Brotherhood of St Laurence, April 2000, p.33.

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- the discrimination and prejudice that can be faced by sole parents; and
  - inadequacy of income support payments.<sup>37</sup>

10.57 The Department of Families and Community Services (FaCS) indicated that many sole parent families experience multiple levels of disadvantage that impact upon both the parent and their children, over the short and the long-term including:

- lower rates of employment amongst lone mothers than amongst partnered mothers;
- long-term dependency on income support. Recent analysis estimates that women coming onto Parenting Payment (Single) may, on average, spend more than 12 years on income support of one kind or another while they still have dependent children. In addition, FaCS analysis of parents who were receiving Parenting Payment (Single) at the time their youngest child turned 16 and they lost eligibility for parenting payment, indicates that over 50 per cent were still in receipt of some form of income support five years later;
- preliminary research also suggests that in addition to the initial trauma of the relationship break-up that resulted in many women becoming sole parents, many of them have ongoing unstable relationships. The research found that many low income women cycle between single and partnered parenting payment status;
- lower levels of educational attainment;
- higher levels of mental health problems; and
- high levels of hardship, as evidenced by going without meals and heating, having to sell or pawn items or receiving assistance from welfare organisations.

10.58 FaCS noted that while not all sole parents experience this type of disadvantage, where it occurs it points to a significant barrier to participation and generally results in poor outcomes over the lifecycle. FaCS submitted that:

Welfare reform is seeking to address a range of barriers for all low-income parents, initially through changes introduced as part of the *Australians Working Together* package. The changes will support parents to build skills and to plan for the future and a return to work.

Implicit in these programs is a recognition that the poor outcomes experienced by many low-income parents, including sole parents, are the

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37 McClelland, pp.33-34.

result of multiple levels of disadvantage. Addressing these problems requires assistance to go beyond merely providing income support. These programs seek to respond to individual needs and improve overall living standards where possible.<sup>38</sup>

### ***Sole parents and work***

10.59 FaCS noted that there had been a decline in the rates of joblessness of sole parents over the last decade. This has been a long-term trend that was temporarily disrupted by the recession at the beginning of the 1990s, but has since been restored. The rate of joblessness amongst sole parent families with children under 15 has dropped from a peak of 66.1 per cent in June 1983 to 53.8 per cent in June 2002. The highest rate of constant joblessness was recorded amongst sole parents with children above the age of 15 years only.

10.60 Joblessness in sole parent families is usually due to the parent not in the labour force, rather than being unemployed, that is, seeking but unable to find a job. 91.5 per cent of jobless sole parent families are headed by women.<sup>39</sup>

10.61 While it may appear that there is greater financial incentive for lone mothers to gain employment, as they are less likely than partnered mothers to have access to a second household income, research indicates that many sole parents choose not to undertake employment and have a lower rate of employment than partnered mothers.

10.62 Women heading sole parent families often choose to stay out of the workforce because of parenting responsibilities and because of the difficulties of combining paid work and parenting. Parenting was seen as a higher priority than obtaining paid work. In addition, without a partner, they are less likely to be able to share parenting responsibilities and so may have to rely on child care. Often the high cost of child care acts as a major disincentive to employment.

10.63 For those who choose employment there are additional barriers including lack of appropriate and up-to-date skills, poor self-confidence, lack of job availability generally, and difficulty of finding employment in school hours. Where there is part-time and casual work available, it is in sectors, for example hospitality and cleaning, which offer low wages.

10.64 The low level of educational attainment of sole parents was noted by FaCS: for example, 52.5 per cent of female sole parents finished schooling prior to Year 12, compared to 39.3 per cent of mothers in couple families. This difference continues at higher levels of education, with 27.1 per cent of lone mothers compared to 30.1 per cent of those in couples having a diploma or skilled vocational qualification, and just

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38 *Submission 165*, p.23 (FaCS).

39 *Submission 165*, pp.23, 54 (FaCS).

9.0 per cent with a degree or higher qualification, compared to 16.3 per cent of partnered mothers.<sup>40</sup>

10.65 Many sole parents who undertake casual and part-time work to fit in with school hours while their children are young, try to expand their working hours and thus increase their income when the children become older. However, ACOSS noted that 'the majority of sole parents in Australia face barriers to progression from low paid casual and part-time employment to more secure full-time jobs.'<sup>41</sup>

10.66 A further barrier to improving family incomes is the low returns from working as a result of the income test on benefits and tax on earnings. Research into financial incentives for working mothers found that mothers, both sole and partnered, face a difficult decision to return to work or to increase their hours of work. It was concluded that:

The interaction of the tax and social security systems and the additional burden of increasing child care costs mean that for some types of families, particularly those on low incomes, the financial incentives to work can be quite small.<sup>42</sup>

10.67 One way of improving the job and career prospects of sole parents is to improve their educational opportunities. ACOSS concluded:

Further education and training are key factors in overcoming the employment barriers for this group, borne out of the fact that sole parents show greater interest in and benefit more from such assistance than other groups of jobless people. It is not the fact that sole parenthood per se that leads to poverty – it is joblessness, low social security payments and low pay that are the key determinants.<sup>43</sup>

### ***Income support payments***

10.68 The principle income support payment for sole parents is the Parenting Payment (Single). This is paid to carers of children under 16 years. Parenting Payment (Single), like other pensions, is indexed in line with MTAW. As at June 2002 there were 427,846 recipients of Parenting Payment (Single).

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40 *Submission 165*, p.23 (FaCS).

41 *Submission 163*, p.137 (ACOSS).

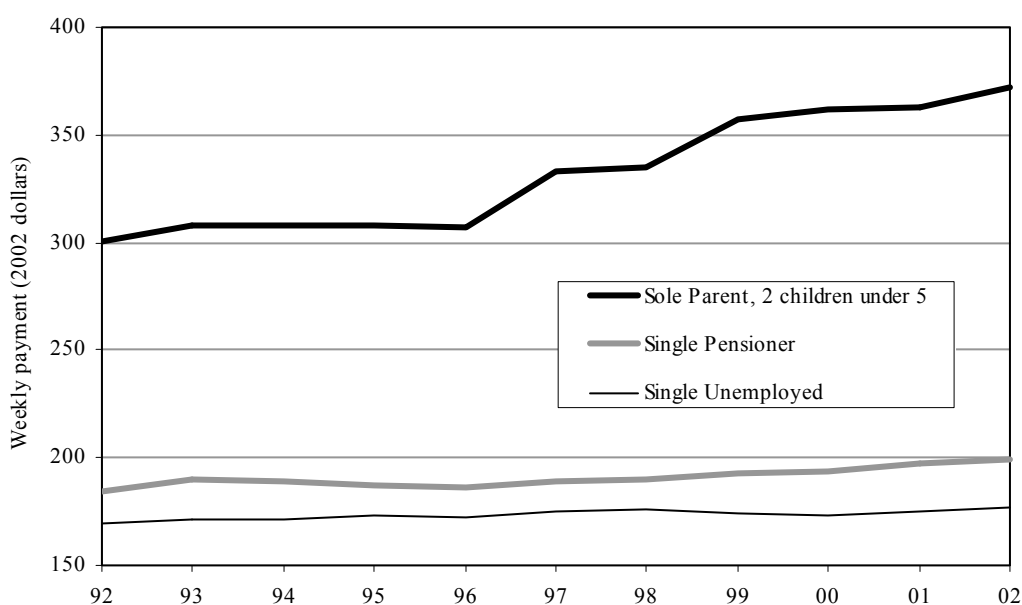
42 Toohy M & Beer G, 'Is it worth working now? Financial incentives for working mothers under Australia's new tax system', Paper presented to the 2003 Australian Social Policy Conference, 9 July 2003, NATSEM, p.18.

43 *Submission 163*, p.16 (ACOSS).

10.69 As with all low and middle income families, sole parent families with children under 16 or full-time dependent students aged 16-24 are eligible for Family Tax Benefit A. FaCS noted that 'it has a means test that is generous, ensuring it is widely received, and rates are relatively high for low-income families'. Sole parents may also be eligible for additional assistance under Family Tax Benefit B arrangements. This benefit is paid at a higher rate for families with children under 5 years of age.<sup>44</sup> In 2002, 570,700 sole parents (965,200 children) received the maximum rate of FTB B.<sup>45</sup>

10.70 FaCS noted 'adjustment of pension rates in line with community living standards has been guaranteed by legislation'. Figure 10.1 shows that income support for sole parents had increased over the last decade.

**Figure 10.1: Rates of Income Support Payments: Single Adult Unemployment Benefit, Single Pensioner and Sole Parent with two children under 5 years of age, 1992-2002**



Source: *Submission 165*, p.37 (FaCS).

10.71 An example of the impact of the income support arrangements was provided by FaCS. A family with two children with the parent earning the minimum wage of \$448.40 less \$64.03 in tax paid, would also receive \$58.77 in parenting payment and \$228.32 in family tax benefit, including rent assistance. The net income would be \$671.46. For a sole parent family on the same wage, 'the net income would be \$684.91

44 *Submission 165*, pp.36-37 (FaCS).

45 AIHW, *Australia's Welfare 2003*, p.224.

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per week. To achieve that sort of after tax and after benefit income level, a single person would need to be earning around \$45,000 per annum'.<sup>46</sup>

10.72 Sole parents also have access to child care benefits. Up to 50 hours of child care benefit a week is available for each child if the sole parent is working, studying or training, otherwise 20 hours a week is available.<sup>47</sup>

10.73 Sole parents appear to remain dependent on income support for considerable periods of time. FaCS commented that recent research estimates that lone parents, on average, spend more than 12 years on income support payment while they have dependent children, and often continue throughout their working life.<sup>48</sup>

10.74 NATSEM research showed that sole parent families reliant on government income support payments have benefited from improvements to the level of benefits. However, witnesses continued to stress that sole parent families were still at risk of poverty as payments were not adequate to meet the needs of sole parent families.

10.75 ACOSS provided an analysis of the adequacy of income support payments including payments to sole parents using three measures: Budget Standards; measures of hardship or financial stress; and the Henderson Poverty Line.

10.76 Budget Standards research was conducted by the Social Policy Research Centre and assessed the adequacy of payments against a 'low cost budget'. In the case of a sole parent with two children, receiving a social security payment of \$428 per week (including maximum rent assistance), the income was 76 per cent of the Low Cost Budget.<sup>49</sup>

10.77 ACOSS also provided studies of hardship or financial stress. The first, by Bray using ABS research, indicated that for sole parents relying mainly on social security payments, the risk of hardship was 43 per cent. Using emergency relief data from its 1999 survey, ACOSS found that 30 per cent of applicants were sole parents. This is the second largest group seeking emergency relief.<sup>50</sup>

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46 *Committee Hansard* 20.6.03, p.688 (FaCS).

47 *Submission* 165, p.40 (FaCS).

48 *Submission* 165, p.14 (FaCS).

49 ACOSS, 'Fairness and Flexibility: reform of workforce age social security payments in Australia', Paper 129, September 2003, p.42.

50 ACOSS, pp.43-44.

**Table 10.1: Comparison of Social Security Payments to Henderson Poverty Line (including housing costs) – \$ per week, September quarter 2002**

Family/Income Unit	Base Rate	FTB A and/or B	Rent Assistance	Total Payment \$ per week	Poverty line \$ per week	Rate as % of poverty line
<b>Head in Workforce</b>						
Sole Parent unemployed – 1 child	\$211	\$101	\$53	\$365	\$378	97%
Sole Parent unemployed – 3 children	\$211	\$228	\$60	\$499	\$536	93%
<b>Head not in Workforce</b>						
Sole parent not in labour force – 1 child	\$211	\$101	\$53	\$365	\$322	113%
Sole parent not in labour force – 3 children	\$211	\$288	\$60	\$499	\$481	104%

Source: ACOSS, *Fairness and flexibility*, p.41.

10.78 ACOSS concluded that 'although the data sources and methods used in these studies vary, consistent patterns emerge...In the 'hardship' studies, *sole parent families* emerge as a relatively disadvantaged group (compared to couples with children). This is consistent with anecdotal evidence from community agencies and many local studies of financial hardship.<sup>51</sup>

10.79 ACOSS also looked at the additional costs facing sole parent families in raising children alone. It noted that the only comprehensive Australian study of these costs had concluded that they were equivalent to approximately 10 per cent of the average costs facing a couple without children.

10.80 ACOSS noted that these costs had in the past been recognised through a special payment called Guardian Allowance. After the introduction of the 2000 tax package, the Guardian Allowance was absorbed into Family Tax Benefit B. ACOSS stated that this raised the overall income of many sole parent families significantly, 'but in an uneven way'. The reason for this is that FTB B for a family with a child under 5 years is \$17 per week more than the rate for families with older children, despite the fact evidence indicates that the cost of children are more likely to rise as they get older.<sup>52</sup>

51 ACOSS, p.45.

52 ACOSS, p.56.



10.81 Recent research by NATSEM found that older children are more expensive than younger children, with costs generally increasing steadily with the age of the child. Older teenagers appear to cost at least twice as much as very young children, irrespective of the income of the family. It was estimated that for a low income family, that is an average of \$567 per week, children cost:

0-4 years	\$55 per week
5 to 9 years	\$98 per week
10 to 14 years	\$130 per week
15 to 17 years	\$213 per week <sup>53</sup>

10.82 When a child turns 16 in a sole parent household, the sole parent families also experience a substantial loss of income even when the receipt of the Youth Allowance is taken into account.

...suddenly my daughter turns 16—as she did this year—and Centrelink sent me what I think is an ultimatum. ‘Your daughter’—who has just turned 16 and has no survival skills and is happy in school—‘must now accept youth allowance’. The reason she must accept youth allowance is because they are going to take my family payments for her away. Suddenly my budget is down by about \$100 a fortnight.

My choice is to do what I believe and not allow her to have youth allowance because she is quite happy being a schoolgirl. I would like her to go and get a part-time job and be independent but I cannot afford to do that because I cannot afford to be \$100 a fortnight down. So we had to bite the bullet and she is now a year 11 student who pays board, does nothing—except a few dishes or whatever during the week—and collects in her hand \$70 for the privilege. How is that going to teach her to be a hardworking Australian citizen?

*Committee Hansard* 28.7.03, p.1016 (Ms Kerry Allan, People with Disabilities WA).

10.83 St Vincent de Paul, citing a similar case where the parent now sought assistance from time to time with bills 'because she is simply unable to manage on a reduced income', stated that 'the transfer of family income from a parent to a 16 year old girl is not having the right effect. I imagine the idea of the youth allowance is to encourage people to stay at school'.<sup>54</sup>

10.84 ACOSS also argued that the current base rates of payment do not adequately recognise the costs of sharing the care of children in two families. Where care of a child is shared between two households, the costs are usually higher than the 'standard' costs of raising children. For example, two separate bedrooms must usually be maintained for the same child.

53 Percival R & Harding A, 'The Costs of Children in Australia Today', Paper presented to the AIFS Conference, Melbourne, 13 February 2003, NATSEM, p.3.

54 *Committee Hansard* 26.5.03, p.358 (SVDP Sydney).

10.85 Witnesses advocated an increase in the family payment to separated households to take account of the lack of economies of scale in separated households and the higher costs of raising children alone. ACOSS recommended that this could be achieved by the introduction of a Sole Parent Supplement, along with a Shared Care Supplement to address the additional costs of raising a child in more than one household.

10.86 Problems arising from splitting of Family Tax Benefit were raised by other witnesses.

[A mother] shared the care of her children with her ex-husband. She had the children 64 per cent of the time and this had been an arrangement for a number of years and for three or four years prior to the introduction of the family tax benefit. She had never actually been asked by Centrelink how often she had the children. Centrelink told her the amount of family tax benefit she received, but they never told her the percentage of family tax benefit that she was paid. She was unaware that she was receiving family tax benefit at 100 per cent. She completed her tax return each year and on her tax return she declared to the Australian Taxation Office that she had the children in her care 64 per cent of the time. But, of course, the tax system and the social security system are not necessarily linked in that regard anyway. Her ex-husband decided that he would claim family tax benefit and he was successful, because he legitimately had the children 36 per cent of the time. He received arrears of family tax benefit for the year in which he had claimed care of the children. It took Centrelink another six months to figure out precisely what level of care of the children each of the parents had and what percentage of family tax benefit each should receive, although there was no dispute between the parents.

The end result was that my client ended up with a debt of \$7½ thousand. Her ex-husband ended up with arrears of \$1,500 for the corresponding period. The discrepancy is because her ex-husband was in a high paying job and had repartnered, so that family's income was used to determine his rate of family tax benefit. He was only entitled to the minimum rate, whereas she, being a sole parent, had been paid family tax benefit at the maximum rate. That money had been spent on the children—it had been expended in good faith, assuming that she was entitled to the amount of money she was paid. The balance—the discrepancy—was a windfall to the government. I tried to argue at the Social Security Appeals Tribunal that there were special circumstances in this case and that at least as much of the debt as was a windfall to the government ought to be waived. But the tribunal did not buy that argument—she was unsuccessful—and she is paying the debt back, slowly.

*Committee Hansard 2.7.03, p.945 (Illawarra Legal Centre).*

10.87 The National Council of Single Mothers and their Children (NCSMC) argued that income adequacy for sole parents has also been 'substantially' undermined by changes to the family payment system. In particular, the introduction of splitting family payments proportionally over a ten per cent threshold has resulted in a 22 per cent drop in family support income to the primary carer household, when children see the non-custodial parent every second weekend and half the school holidays. This equates to about \$50 a fortnight that the primary carer household loses and the other gains if that household is eligible under the income test. The NCSMC reported where

this had occurred, the impact could be great: children had to withdraw from sporting and extra curricula activities; and, families were living without utilities, selling the family car and moving to less expensive accommodation because of the reduction in family support payments when children see their father.<sup>55</sup>

10.88 A further difficulty noted by NCSMC was that a disproportionate amount of expenses are borne by the primary carer which is not reflected in the percentage loss to the primary carer. In addition, the percentage of care is calculated with reference to court orders or agreements by the parents as to the pattern of care. In reality, some contact parents do not attend contact. In such cases, the primary carer loses part of the family tax payment while caring for the children the whole time. NCSMC noted that there were no legal consequences for this action.

10.89 The Council argued that if the policy for splitting family payments was evaluated, it would be found that 'the policy has dramatically reduced the level of financial support for children living in primary carer households and that it effectively fines children for seeing their non-resident parent'.<sup>56</sup>

10.90 The Lone Fathers Association of Australia (LFAA) also pointed to the costs of non-custodial parents in maintaining contact with their children. The LFAA argued that consideration should be given to a tax rebate being provided, as an alternative to a contact allowance, to cover some part of the cost of contact between parent and child. This should be done in such a way as to not affect the custodial parents' income.<sup>57</sup>

10.91 It was also suggested that there is greater opportunity for debt creation for sole parent families under the family payment scheme. Four areas of debt creation were noted:

- 'share care' debts arising when the other parent claims a higher percentage at the end of the tax year than has been allowed for in fortnightly payments to the primary carer parents;
- child support debts arising where a lump sum of child support is received and family payment is retrospectively reduced;
- income estimation debts, where wage income has fluctuated markedly; and
- child earnings debts, where children's earnings have increased to retrospectively reduce family payments.<sup>58</sup>

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55 *Submission 101*, pp.2-3; *Committee Hansard 29.4.03*, p.36 (NCSMC).

56 *Submission 101*, p.3 (NCSMC).

57 *Submission 164*, p.28 (LFAA).

58 *Submission 101*, p.3 (NCSMC).

10.92 NCSMC stated that the claiming systems for family tax are very complex and parents can easily find themselves in debt. Family tax can be claimed through the tax system or the welfare system and retrospectively through the tax system. A parent may receive payment in full during the year but have to repay a large amount if it is claimed at the end of the year by the other parent. NCSMC noted that 'there is no mechanism to protect them from that debt'.<sup>59</sup> St Vincent de Paul provided the following example of how a debt could arise and the impact on a family.

### **Debt creation and the impact on a sole-parent family – Melinda's story**

I want to talk about Melinda, who is a sole parent. She has four children. Her three eldest children were from one father, who failed to support her financially. However, the paternal grandmother minded the children while Melinda went to work. Unfortunately, the paternal grandmother died from cancer last year, leaving Melinda on her own with the children. Melinda met her second partner and he seemed to be very supportive and she had her fourth child with him. Things went along smoothly until the stresses became too great and the partner attempted suicide and was admitted to hospital. This left Melinda with her children. She went into private rental for which she paid \$330 a week for a house in a very poor condition, and she struggled along self supporting. After rent she was left with \$220 a week on which to live.

Things were going fairly well until there was an error made with her CRS forms. Some error was made, and in the second week in December, instead of receiving \$1,100 for her fortnightly payments, she received a payment of \$290. She went straight to the CRS office, and they said that they could not help. They could not correct the mistake, although they could see an error had been made. Melinda admitted that she probably filled the forms in incorrectly. She did have a bit of difficulty when it came to filling in forms. So there she was, left with four children, coming on to Christmas. She was already one week in arrears in her rent, and she had \$290 on which to live for a fortnight.

These four children had been taken from place to place. They had lived in several different houses. She had been on the housing department waiting list for nine years, but they deemed she was not eligible for emergency accommodation. After we assisted her for many weeks she moved on. This is a concern because the children keep changing schools and they keep changing accommodation. The last time I heard of Melinda, she had gone off to get a one-bedroom unit. She only took the baby with her when she signed off on the rental and she was going to move the four children into that accommodation. She was given an opportunity at Newstart to do some job training and they were going to mind the baby for her, but meanwhile she was going to have four children in a one-bedroom unit. I must say, in spite of her lifestyle, this girl did seem to have very good mothering skills and she really cared for her children.

*Committee Hansard 26.5.03, p.363 (North Leichhardt Conference, St Vincent de Paul)*

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### *Child Support Scheme*

10.93 The Child Support Scheme (CSS) was introduced in 1988 and provides a mechanism for ensuring non-resident parents contribute financially to the support of their children. The CSS collects payments by non-custodial parents for child support which is calculated according to a formula which reflects capacity to pay.

10.94 The average child support liability at June 2001 was \$3,259, with more than 40 per cent of payers having a liability of \$1,000 or less. This reflects the incomes on non-resident parents who had a median income of \$18,400 at June 2001. FaCS noted that Child Support payments 'are important to resident parents, who at June 2001 had a median income (as assessed by the CSA), excluding child support and family tax benefit, of just under \$9,500'.<sup>60</sup>

10.95 Harding and Szukalska estimated that the introduction of the child support scheme had lifted about 60,000 children out of poverty in 1997-98.<sup>61</sup> Research by the Australian Institute of Family Studies also indicated that since the CSS was introduced, the rate of child support payment 'has doubled from one-third to two-thirds in divorced populations with dependent children'. Other research supports these findings.<sup>62</sup>

10.96 Despite these improvements in the payment of child support, submissions argued that the scheme was not working efficiently to reduce the poverty of sole parent families. The NCSMC stated that the majority of single mothers do not receive regular cash payments of child support – about 42 per cent of sole parents receive child support.<sup>63</sup> ACOSS stated that 'another critical factor is child support. A substantial minority of Parenting Payment (single) recipients receive child support payments, which make a significant difference to their standards of living. Those who lack child support face a much higher risk of income poverty.'<sup>64</sup> Analysis of the Child Support Agency debt profile showed that many thousands of single mothers are in fact owed child support arrears, 'but without a collection protocol which links child support debts to a payment timeline, these parents and children cannot benefit from child support'.<sup>65</sup>

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60 *Submission* 165, p.40 (FaCS).

61 Harding A & Szukalska A, 'Social Policy Matters: The changing face of child poverty in Australia 1982 to 1997-98', Paper presented at the 7<sup>th</sup> Australian Institute of Family Studies Conference, 26 July 2000, p.26.

62 McClelland, p.35.

63 *Committee Hansard* 29.5.03, p.38 (NCSMC).

64 *Submission* 163, p.137 (ACOSS).

65 *Submission* 101, p.2 (NCSMC).

10.97 NCSMC argued that the approach adopted allows for 'total flexibility and negotiation of repayment schedules and debt collection'. There is also a lack of case managers for parents trying to recover child support debts. NCSMC concluded:

Without a collection protocol that runs to a time line, we are in a sense allowing those debts to spin out. The Ombudsman's report again quoted an average debt of about \$1,500 to single parents, on average. The uncollected debt is a huge issue. The move to self-collection has placed the most vulnerable families with domestic violence problems, literacy problems or health problems behind the eight ball in being able to access their child support payments.<sup>66</sup>

## **Recommendation 42**

**10.98 That the Child Support Agency review its debt collection procedures to ensure that debt repayment is made on a regular and timely basis so as to not disadvantage custodial parents and their children.**

10.99 NCSMC also provided the Committee with further examples of the difficulties with the child support system. At the moment, if child support is received spasmodically or as a part-payment, the custodial parent may find themselves with a debt to Centrelink. As family payments have been calculated on a given income base, a lump sum received for child support will mean that income has been understated and a debt is incurred. NCSMC stated that the debt must be repaid 'not because you have defrauded the system but because you have to cope with these patterns'. Custodial parents living in public housing may also find that they have a housing debt because of lump sum payment of child support.<sup>67</sup>

10.100 In the case where a non-custodial parent is to pay child support, Centrelink will deem that the full amount is being received by the custodial parent and reduce the family payment to reflect this. If the child support is not being received and the custodial parent declares this to Centrelink, and does not take any further action, such as reporting the non-payment to the Child Support Agency, then the custodial parent has failed an eligibility step for family payment. Family payment will only be paid at the minimum level.

10.101 NCSMC reported that often in such a case, the non-custodial parent will offer a lesser amount of child support. The custodial parent may accept this amount, particularly where there is a history of violence. The custodial parent will have parenting payment reduced as if they are receiving the full amount and also leave

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66 *Committee Hansard* 29.4.03, p.41 (NCSMC).

67 *Committee Hansard* 29.4.03, p.40 (NCSMC).

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themselves open to further harassment as they have in effect, misinformed Centrelink as to the correct level of their income.<sup>68</sup>

10.102 LFAA argued that while the child support scheme has produced some modest improvements in amounts paid to custodial parents in some cases, these improvements are less than claimed and the cost of the administration of the scheme is very high when compared to the putative benefits. The LFAA supported the principle that both parents have an obligation to help ensure that their children are cared for 'but the Government's insistence that all payments under the Scheme must be based on a pre-tax basis is at the root of a fundamental problem in the formula'. Non-custodial parents often resort to the dole just to enable them to survive, 'this is a very socially undesirable result, and the resulting net cost to the economy and the taxpayer is very high'.<sup>69</sup>

10.103 The LFAA also argued that for fathers maintaining or attempting to maintain contact with their children, there were virtually no programs and/or supports for reducing cost pressures on budgets and building capacity to be financially self sufficient. There are very high marginal rates of compulsory payments on their incomes, in some cases of 92 per cent and more.

10.104 The LFAA recommended changes to the child support system including reforming the CSS to levy child support at a suitable flat rate on after tax income. This would result in the in a 'truer and fairer assessment of actual capacity to pay'. In addition, the formulae should be tuned to ensure that children in first and second marriages are treated, as far as possible, absolutely equally.<sup>70</sup>

### ***Conclusion***

10.105 The position of sole parents improved substantially during the 1990s. The risk of poverty fell from 28 per cent in 1990 to 22 per cent in 2000, though the risk still remains high. This improvement has been largely attributed to government policies more favourable to sole parents and families generally including increases in income support payments and increases in allowances such as rent assistance. The introduction of the Child Support Scheme also helped to lift many children out of poverty. The employment patterns of sole parents also improved over the last decade.

10.106 However, sole parent families still remain the group in society most at risk of poverty. Those on long term income support find it difficult to make ends meet. This is often exacerbated by the additional costs of maintaining two households which is not recognised in government income support payments.

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68 *Committee Hansard* 29.4.03, p.45 (NCSMC).

69 *Submission* 164, pp.2,10-11 (LFAA).

70 *Submission* 164, p.27 (LFAA).

10.107 For those sole parents who seek employment, there are many barriers: lack of appropriate skills; restriction to seeking part-time and casual jobs to meet parenting responsibilities; child care expenses; and high marginal tax rates.

10.108 The Committee considers that there is a great need to implement policies to ensure that the decline in the risk of poverty for sole parent families continues.



## CHAPTER 11

### CHILDREN IN POVERTY

*The long-term effect and cost of the rising incidence of child poverty is substantial on the individual and the community, and we must address it if we are to provide and sustain a healthy and vibrant and economical and viable society and break the cycle of poverty for all Australians.<sup>1</sup>*

11.1 Those experiencing child poverty suffer both short and long-term effects. In the short term there may be stress, hardship and deprivation from insecure housing conditions, lack of food and basic amenities. There is often social isolation and exclusion through lack of funds for school excursions, sporting activities and what many Australians regard as normal social activities enjoyed by families. In the long-term, poor educational achievements limit employment opportunities and may sentence those who have suffered child poverty to a life long struggle to just survive. This has significant economic impacts for government, undermines social cohesion and reduces our overall national capabilities.

11.2 This chapter looks at the extent of child poverty in Australia, the reasons for child poverty and its impact on individuals and society.

#### **Children in poverty – an overview**

11.3 As discussed already in this report, there is considerable debate over how to measure poverty. This applies equally to the measurement of child poverty.<sup>2</sup> Research using three different income poverty lines, estimated the number of children in poverty in 2000 as: 479,000 (half median income poverty line); 743,000 (half average income poverty line); and 1,037,000 (Henderson poverty line).<sup>3</sup> The costs of housing also impact on the number of children in poverty, with poverty rates rising when housing costs are taken into account (see Table 11.1)

11.4 . Child poverty varied across jurisdictions with children in New South Wales and Victoria having the highest risk of poverty (39.4 per cent and 38.5 per cent respectively) and Western Australia the lowest (23.3 per cent).<sup>4</sup>

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1 *Committee Hansard* 1.5.03, p.136 (Knox City Council).

2 See Bradbury B, 'Child Poverty: A review', Social Policy Research Centre, Report No 3/03, November 2003 for a discussion of the measurement of child poverty.

3 NATSEM expressed reservations about the updating of the Henderson poverty line over time and that there are grounds for believing that the line is set too high.

4 *Submission* 163, p.67 (ACOSS).

**Table 11.1: Extent of child poverty in Australia in 2000, NATSEM/Smith family estimates**

Poverty line	Henderson Poverty Line (traditional approach)	50% average income	50% median income
<i>Extent of poverty (not accounting for housing costs)</i>			
Children in poverty	1,037,000	743,000	479,000
% of children	20.8%	14.9%	9.6%
<i>Extent of poverty (accounting for housing costs)</i>			
Children in poverty	1,316,000	1,142,000	848,000
% of children	26.4%	22.9%	17.0%

Source: *Submission 163*, p.66 (ACOSS).

11.5 On average in 1997-98, poor children lived in families whose income was 28 per cent below the poverty line, an improvement from both the 31 per cent recorded in 1982 and the 30 per cent recorded in 1995-96 (using the half average income poverty line).<sup>5</sup>

11.6 Between 1982 and 1997-98, child poverty rose using the Henderson poverty line but declined using the half median and half average income poverty lines:

- Henderson poverty line: the poverty rate among dependent children rose from 19.5 per cent in 1982 to 22.7 per cent in 1997-98;
- half median income poverty line: indicated that poverty fell from 13.1 per cent in 1982 to 8.8 per cent in 1997-98 which translated to a one-third fall in child poverty rates; and
- half average income poverty line: indicated that 14.2 per cent of dependent children were in poverty in 1997-98, down from 17.4 per cent in 1982.<sup>6</sup>

11.7 Harding and Szukalska noted that improvements in government programs were an important reason for the decrease in the proportion of children in poverty during the 1980s and the beginning of the 1990s. These programs included:

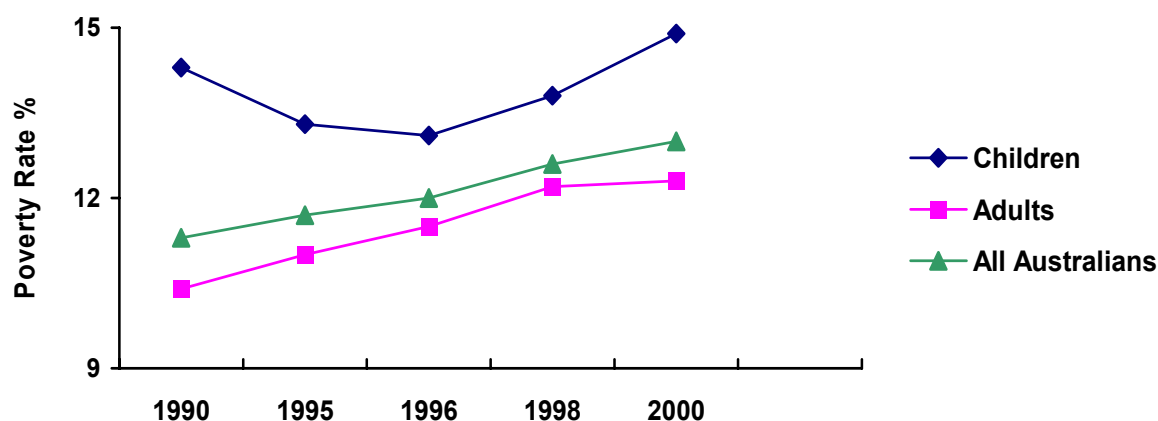
5 Harding A & Szukalska A, 'Social Policy Matters: The Changing Face of Child Poverty in Australia, 1982 to 1997-98', Paper presented at the 7th Australian Institute of Family Studies Conference, July 2000, p.27.

6 Harding & Szukalska 2000, pp.7-8; Harding A, Lloyd R & Greenwell H, *Financial Disadvantage in Australia 1990-2000: The persistence of poverty in a decade of growth*, Smith Family, 2000, p.5.

- greater generosity to assist low income working families with children such as family income supplements;
- increases in social security pensions;
- increases in allowances for example, rent assistance and the extension of rent assistance to a wide-range of low income families with children who rented privately; and
- the introduction of the Child Support Scheme.

11.8 However, it was found that there appeared to be an increase in child poverty in the late 1990s (see Figure 1).<sup>7</sup>

**Figure 1: Estimated poverty rates, 1990 to 2000, using before housing half average income poverty line**



Source: Harding, Lloyd & Greenwell, *Financial Disadvantage in Australia 1990-2000*, p.4.

11.9 Comparing the poverty lines for child poverty between 1990 and 2000, this apparent increase was stronger when the poverty line was set at half average income rather than half median income (see Table 11.2). This outcome appears to be partly due to average income increasing more rapidly than the median income. The growth in average incomes appears to have been primarily driven by increases in higher incomes. The incomes of unemployed families with children fully dependent on social security increased by much less, thus creating a wider gap between the incomes of the poor and the incomes of the very affluent. It was concluded that 'it is the rising incomes of the affluent that are generating much of the growth in the half average income poverty line, and thus the increase in poverty rates apparent in the 1990s'.<sup>8</sup>

7 Harding & Szukalska, 2000, p.26.

8 Harding, Lloyd & Greenwell, p.6.

**Table 11.2: Estimated rates of child poverty, 1990 to 2000, before housing costs**

Poverty rates	1990	1995	1996	1998	2000
Half average income poverty line	14.3	13.3	13.1	13.8	14.9
Half median income poverty line	9.0	8.4	8.7	8.5	9.6
Henderson poverty line (comparable to above including all families)	16.8	23.7	26.2	24.1	25.3

*Source:* Harding, Lloyd & Greenwell, pp.5, 35.

11.10 A further matter explored by Harding and Szukalska was the impact of housing costs on child poverty as housing is a very significant component of most families' budgets and a necessity of life. Their research has shown that using an after-housing measure of poverty is likely to make an important difference to child poverty estimates as couples with children have higher than average housing costs and sole parents have lower than average housing costs.<sup>9</sup>

11.11 It was found that when using half average before-housing income as a poverty line, child poverty fell some three percentage points from 1982 to 1997-98. But using half average after-housing income as the poverty line, child poverty changed little – from 22 per cent in 1982 to 21 per cent in 1995-96. This is due to a change in the characteristics of children in poor families, with some social security dependent families with relatively low housing costs being lifted above the poverty line and being replaced by working poor families with relatively high housing costs brought about by costs of purchasing a home.<sup>10</sup>

11.12 A number of other studies have also shed light on child poverty in Australia. Some of these are outlined in a study by the Brotherhood of St Laurence which found that income for 15 to 18 year olds who were not classified as dependents had declined over time. An OECD study published in 1999 indicated a decline in the relative position of families with children in Australia, while a UNICEF study concluded that children are at greater risk of poverty than adults in Australia. However, most studies found that there were fewer families with children living substantially below the poverty line.<sup>11</sup>

11.13 It appears that while some families move in and out of poverty over time, a large majority experience long-term financial hardship. The Brotherhood of St Laurence's Life Chances Study found that 74 per cent of the children in the study

9 Harding & Szukalska, 2000, p.24.

10 Harding & Szukalska, 2000, pp.24-25.

11 McClelland, A, 'No child...' *Child poverty in Australia*, April Brotherhood of St Laurence 2000, pp.21-25.

whose families were on low incomes when they were babies in 1990 were still living on low incomes when they were aged 11 and 12.<sup>12</sup>

11.14 Evidence received by the Committee also provides other indicators of the extent of child poverty. For example, the Australian Federation of Homelessness Organisations (AFHO) noted that SAAP data identified 50,800 children (of which 90 per cent were under the age of 12) accessing homelessness services in Australia in 2001-02. AFHO stated 'this is a damning statistic and underlies the necessity for the Commonwealth to fully and actively address the experience of poverty and homelessness by children'.<sup>13</sup>

11.15 Anglicare Tasmania, using the definitions of unemployed head of the family, sole parent head of family and eligibility for the Low Income Card, calculated that in Tasmania 24,730 children are dependent on parents who fall into the categories identified by Harding and Szukalska. This is around 25 per cent of the 0-15 year olds in Tasmania. It does not include those children whose parents or carers are dependent on a range of other Centrelink benefits.<sup>14</sup>

11.16 While it has been acknowledged that government programs have improved the lives of many children, it was noted by Harding, Lloyd and Greenwell that 'irrespective of the poverty line used...results indicate that Australia has not been successful in reducing poverty in the 1990s, despite falling unemployment'.<sup>15</sup> UnitingCare Burnside went further, stating that 'the numbers of children in Australia living in poverty are significant and unacceptably high'.<sup>16</sup>

### **Characteristics of children in poverty**

11.17 Harding and Szukalska provided a snapshot of the average dependent child living in poverty in Australia:

- lives with both of their parents, both of whom have no educational qualifications;
- is aged less than 13 years;
- lives with one or two brothers or sisters;

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12 *Submission 98*, p.5 (BSL).

13 *Submission 57*, p.16 (AFHO).

14 *Submission 92*, p.7 (Anglicare Tasmania).

15 Harding, Lloyd & Greenwell, p.6.

16 UnitingCare Burnside, *Because Children Matter: Making a case for addressing child poverty in Australia*, June 2003, p.14.

- has Australian born parents who have bought or are buying their own home;
- has at least one parent who is earning income, but with earnings being low due to (primarily) self-employment or (less often) low wages; and
- lives in a family whose principal income source is government cash benefits.

11.18 Harding and Szukalska also commented that 'the impact of the labour force and sole parent status of the parents of poor children is critical.' Using employment and family characteristics the researchers were able to group all poor children into one of four categories:

- the head of their family is unemployed;
- the head of the family is a sole parent;
- one or both of their parents is self-employed; or
- one or both of their parents earns wages and salaries but is part of the 'working poor'. Two-thirds of those belonging to this group have a parent who is a 'low wage earner'.<sup>17</sup>

11.19 Other characteristics of poor children include:

- children where the prime source of income is government income support;
- children in public or private rental accommodation;
- one or more members of the family are employed in part-time work;
- parents have not attained some level of post-secondary education;
- Indigenous children; and
- children with parents from certain non-English speaking backgrounds.<sup>18</sup>

### ***Sole parent families and couples with children***

11.20 The impact of more generous provisions for sole parent families can be seen in the decline in the rate of poverty of children living in sole parent families. In 1982, children living in a family headed by a female were three times as likely to be in

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17 Harding A & Szukalska A, 'A portrait of child poverty in Australia in 1995-96', Paper presented at the 6<sup>th</sup> AIFS Conference, Melbourne, 26 November 1998, pp.25-26.

18 McClelland, p.2.

poverty as children living in families headed by a male. By 1997-98, they were about twice as likely to be in poverty. Similarly, the poverty risk of children living in families where their parent was 'separated and divorced' fell from 42 to 20 per cent between 1982 and 1997-98.

11.21 The improvement in the number of children at risk of poverty in families headed by a female was not only due to increases in social security payments but also changes in child support arrangements. The proportion of all children living in sole parent families who benefited from child support payments rose from only 12 per cent in 1982 to 31 per cent in 1997-98. Harding and Szukalska estimated that had the scheme not existed, child poverty could have been 1.2 per cent higher, representing 58,000 children.<sup>19</sup>

11.22 However, while government initiatives have improved the position of sole parents over the last decade, sole parent families still face the greatest risk of poverty. While the poverty rate of sole parent families fell from 28.0 per cent in 1990 to 21.8 per cent in 2000, it still means that more than one in every five Australians living in sole parent families is in poverty. Children in intact families face about half the risk of being in poverty of children in sole parent families.<sup>20</sup>

11.23 Evidence to the Committee pointed to a number of factors which contribute to the poverty rate in sole parent families. First, sole parents face greater barriers in finding employment. These include low educational attainment and, for women who have been out of the workforce, lack of up-to-date skills. Sole parents often work in part-time or casual jobs in order to meet parenting responsibilities. Sole parent may also face problems with accessing suitable and affordable child care as they do not have a partner to share child care and must rely much more on paid child care.

11.24 Secondly, it was argued that income support payments are inadequate to meet the needs of sole parent families, particularly those with older children, and did not recognise the higher costs of separated households. The Brotherhood of St Laurence, while noting that the introduction of the Child Support Scheme has helped to share the cost of raising children between custodial and non-custodial parents, stated that the costs are still higher for separated families than for those living together.<sup>21</sup>

11.25 Thirdly, a number of submissions argued that child poverty had increased because of changes to family payments. The National Council of Single Mothers and their Children (NCSMC) stated that the risk of poverty for single parent households had increased over the past few years due to:

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19 Harding & Szukalska, 2000, pp.16-17.

20 This estimate is based on the before-housing half average income poverty line. Harding, Lloyd & Greenwell, p.7; Harding & Szukalska, 1998, p.17.

21 *Submission* 98, p.14 (BSL).

- the introduction, in July 2000, of splitting family payments between separated parents on a proportionate hours basis thereby reducing the level of financial support to primary carer households for every hour the other parent has contact with the children;
- the 1999 reduction in the ceiling of payee disregarded income before child support obligations of payers are reduced;
- the 1999 increase in exempt child support income for payers and for payers sharing care of a child; and
- the rise in child support debts to payees following the dismantling of compulsory collection practices and the introduction of 'endless flexibility' without consequences for recalcitrant payers.<sup>22</sup>

11.26 Sole parents and poverty is discussed further in chapter 10.

11.27 Couples with children had a poverty rate of 12.2 per cent in 2000. The risk of poverty for families increases as the number of children in a family increases. For example, those with three or more dependent children families are about twice as likely to be in poverty as those with only one child – 19 per cent versus 8.6 per cent. The poverty risk among couples with children has risen by about one fifth during the 1990s.<sup>23</sup>

### ***Unemployment and low wages***

11.28 A key factor influencing the likelihood of a child being in poverty in Australia is the labour force status of their parents. The growth in employment between 1992 and 2002 benefited families with dependent children. The number of couple families with dependent children aged 14 years and under and both parents employed increased by 89,900. The number of employed sole parents with children 14 years and under employed increased by 97,500.

11.29 During the same period the number of sole parent families with no parent employed grew by 73,600. In contrast, there was a decrease of 44,800 in the number of couple families in which neither partner was employed.<sup>24</sup>

11.30 Mission Australia stated that in 1993, 18.8 per cent of all children aged under 15 were in families where no one worked. This figure dropped slightly in 2001 to 17.9 per cent. In 1993, 10.8 per cent of children living in couple families had neither parent employed. By 2001 this figure had dropped to 7.5 per cent which means that

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22 *Submission 101*, p.1 (NCSMC).

23 Harding, Lloyd & Greenwell, pp.7-8.

24 AIHW, *Australia's Welfare 2003*, p.220.



about 704,000 children aged 15 and under are growing up in families where no one worked.<sup>25</sup>

11.31 Harding and Szukalska showed that using the half average poverty line, in 1995-96, children living in a family where there was no parents earning an income faced a one in three chance of living in poverty (36 per cent of children). The risk of living in poverty fell once one or both parents were working: 9 per cent where there was one parental earner and 7 per cent where there were two parental earners. After taking housing costs into account the figures increased to 53 per cent, 18 per cent and 12 per cent respectively.<sup>26</sup>

11.32 While the risk of poverty was higher in those families where there was no parent earning an income, the majority of children living in poverty had one or two parental earners in their family. Children whose parents were self-employed faced a poverty rate of 17 per cent while those whose principal income was wages and salaries faced a poverty rate of 5 per cent. However, only a relatively few children live in self-employed families. In addition, Harding and Szukalska stated that while many self-employed parents do experience great financial hardship, there was also some concern that the income of such families may not always accurately reflect their standard of living.<sup>27</sup>

11.33 The poverty rate of 5 per cent for children in families earning wages and salaries represented an estimated 163,000 children in working poor families. This was an increase of 46,000 children in working poor families between 1995-96 and 1997-98, an almost 40 per cent increase. As a result of these trends, children living in working poor families represented almost one-quarter of all dependent children in poverty by 1997-98.<sup>28</sup> The 'working poor' is discussed more extensively in Chapter 4.

### ***Families receiving government benefits***

11.34 Since the 1980s, there have been a number of major reforms which have assisted families with children. In the early 1980s rent assistance and additional payments for children were available only to social security beneficiaries and longer term sickness beneficiaries. Low income families received only a relatively small family allowance payment.

11.35 The family income supplement was introduced in May 1983 to provide extra assistance for low income working families with children. In 1987, a single family

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25 Mission Australia, *Building resilient families*, Snapshot, 2002, p.1.

26 Harding A & Szukalska A, 'Trends in Child Poverty in Australia: 1982 to 1995-96', Discussion Paper no.42, April 1999, pp.32-35.

27 Harding & Szukalska, 1999, p.21.

28 Harding and Szukalska, 2000, p.22.

allowance supplement was introduced for all low income families with children, which substantially increased payment levels. This was followed by further policy changes including the extension of rent assistance to all recipients of sickness allowances, to most unemployed people and to low income working families with children in private rental accommodation.

11.36 Family Tax Initiatives have been introduced since 1996. Family Tax Benefit A is paid to low and middle-income families with dependent children under 21 years of age and/or dependent full-time students aged 21 to 24. The payment is subject to an income and assets test. Family Tax Benefit B provides assistance to single-income families including single parents. Parenting Payment is an income support payment for one parent with responsibility for caring for a child under 16 years of age. In 2002 there were 620,300 recipients (1,168,500 children) receiving the maximum rate of FTB A and 570,700 sole parents (965,200 children) and 300,400 couple families (638,800 children) receiving the maximum rate of FTB B.<sup>29</sup>

11.37 While these government initiatives reduced the risk of child poverty, particularly for children in sole parent families and large families, children living in families reliant on government income support still have a high probability of being poor. In 1997-98, children living in families whose principal income source was government cash benefits accounted for 63 per cent of all dependent children living in poverty. This represented a total of 442,000 children.<sup>30</sup> NATSEM research estimates that for all families, the poverty rate for those receiving government cash benefits in 2000 was 31.1 per cent, an increase from 23.9 per cent in 1990. AFHO stated 'the proportion of families on government benefits in poverty highlights the absolute inadequacy of payment levels to families'.<sup>31</sup>

### ***Children with parents from non-English speaking backgrounds***

11.38 Research suggests that the children of migrants from Asia generally face a poverty risk which is about one-third to one-half greater than that for children with Australian-born parents. The highest child poverty rates are among migrants of South and Central America, Middle Eastern and Northern Africa backgrounds, with rates reaching as high as 25 per cent. The highest poverty rates among children of migrant parents were among families who arrived in Australia before 1981, possibly reflecting 'the changing balance in Australia's immigration policy since 1980 between domestic, humanitarian and international, and economic criteria leading to growing numbers of "skilled" immigrants who have a higher likelihood of success in the Australian labour market'.<sup>32</sup>

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29 *Australia's Welfare 2003*, p.224.

30 Harding & Szukalska, 2000, p.22.

31 *Submission 57*, p.16 (AFHO)

32 Harding & Szukalska, 1998, p.24.

## Children living in poverty

Until recently I had no clear picture of just what that phrase [child poverty] meant. What it means is that my children and many more besides are unlikely to reach their full potential due to the increasing inequality in Australian society. This is not due to lack of parental effort but the reality is that income support payments are below the poverty line to begin with. Intelligence and diligence will not change the reality that:

- My children have fewer sporting and cultural opportunities.
- My children are discriminated against due to our family status.
- My children are disadvantaged in life simply because I cannot afford to provide the same opportunities that other families can.
- The level of education I can afford for my children will differ from those who do not live in a Sole Parent family.
- Due to the reality that income payments are already below the poverty line our government in effect keeps my children in poverty.
- The Child Support Agency is not always effective and contributes to higher levels of poverty due to their inability to collect financial support from the children's father.

*Submission 38, p.9 (Ms J Maynard).*

11.39 The Committee received much evidence on the experiences of children growing up in poverty. First and foremost inadequate income means that families have great difficulty in meeting the basic costs of living.

It certainly is about income. To give you an example, one of our families living in the northern suburbs has an income level of \$27,000 per year and four children. Education costs in February of this year were \$8,000 to send their children back to school. You cannot tell me that that is financial hardship; that is poverty. A family on \$27,000 a year cannot afford \$8,000 to send four kids back to school at the beginning of the year. That is not a choice decision; that is the reality.

*Committee Hansard 30.4.03, p.39 (Anglicare Victoria).*

They talk about the painful decisions that people on low incomes have to make: the choice between a carton of milk and paying for a school excursion; the sense of failure that families face in having to tell their children that they cannot have a pair of shoes, they cannot go on excursion, they cannot participate in normal activities. The stress is a huge factor, leading to poor health, breakdown in relationships and family instability.

*Committee Hansard 2.5.03, p.212 (TASCOSS).*

11.40 For those living in poverty, there is constant juggling of money just to pay for the things that families need: food, accommodation, clothing, education, transport, health care and recreation. Unexpected expenses such as repair bills or health costs can be a major disaster for low income families who more often than not have no

savings. The constant struggle impacts on families causing extra stress and sometimes conflict.

My mum makes \$194 a week and she's got four kids to feed. It's just not enough. She's got enough to put food in the kids but then she's got nothing left and when the electricity bill comes in they have to eat less food...

*Submission 133, p.4 (UnitingCare).*

All those negative thoughts you have because you have no money – the kids pick up on it. They say things like: 'Why can't we have a tin of Milo?' How do you say, 'This is all I've got'?

*Submission 32, p.12 (Tasmanian Catholic Justice and Peace Commission).*

11.41 Children in poverty find their quality of life eroded. They often suffer from great material hardship and have very few possessions, very little clothing and very few educational toys or books. Children living in poverty often miss out on experiences that many other Australian children enjoy – entertainment, participating in sport or clubs, taking music and dance lessons. Treats or little luxuries that provide much needed enjoyment or relief for a family under pressure are not an option for a family choosing what bill to pay and what food they can afford to purchase.

They just do not send their children on the days when there are excursions. They just stay home. I have spoken to mothers. I used to live in Port Willunga...and we had one primary school there. About 10 kilometres away there was another primary school in Willunga. Some parents did not send their children to our local school. For whatever reason, there was no school bus, there was not really public transport that was going from one village to the other so the parents had to drive their children. If there was no petrol, the kids would stay home. That would happen regularly at the end of the fortnight. That is where the \$200 was missing when the budget came in. You save petrol money if you do not take them to school.

*Committee Hansard 29.5.03, p.29 (Australian National Organisation of the Unemployed).*

My daughter goes to Ogilvie High [publicly-run girls' high school] – that's our choice. But the uniform breaks us. You have to have special socks, pants, blazer. We buy it all second hand and sell it as soon as she's grown out of it but it still costs a fortune and she's growing fast. My daughter is very musical but we don't have any money for music lessons. There's no money for school trips or singing lessons. She'd love to be in the school choir but if you are, you have to travel. We can't set aside the \$1-2000 they ask for. It makes me feel really guilty as a father. My daughter is very confident because we've worked hard to help her be like that. She could do these things. Having to say no is heartbreaking for her and us.

*Submission 32, p.8 (Tasmanian Catholic Justice and Peace Commission).*

11.42 Children in poverty often feel different from their peers. Isolation and exclusion reinforce poor social skills as there is no money for activities which other

children take for granted. The Tasmanian Commissioner for Children provided a graphic example of the way in which poverty extends beyond even poor social skills:

The most impoverished section of the community are children because they are the most invisible...their parents are least able to articulate that huge disadvantage they have because their poverty boils down even to the language. They are not able to articulate. For example, when I went to talk to a young person in a juvenile justice centre I asked him his date of birth. He looked at me blankly till one of his friends jabbed him in the ribs and said, 'When is your birthday, mate?' He had not heard the term 'date of birth'. That was not part of his vocabulary. That kind of entrenched poverty is even in language and they cannot articulate it.<sup>33</sup>

11.43 Many submissions expressed concern that the life potential for children growing up in situations of poverty is diminished as a direct result of being poor.<sup>34</sup> Children in poverty lack choice and have fewer options.

11.44 Poor families must live in areas where housing is more affordable, and families may move to a different area to find cheaper housing. In doing so, they may find accommodation but have to move away from friends and their support networks. Areas of cheaper housing also have less developed community and health services, few job opportunities and poorer public transport. Lower-income areas are more likely to experience high rates of crime and more poorly resourced schools. This increases the sense of isolation that many low-income families feel and reinforces the lack of life choices for parents and their children.

Whilst experiencing a reasonable level of poverty myself, I am also acutely aware of the issues faced by those who are in the community of Bidwill...Up to 69% of residents live in Public Housing and a high percentage rely on Centrelink benefits.

There is extreme socio-economic disadvantage in Bidwill, which has a high concentration of Sole Parents, low incomes, high unemployment and low levels of education and qualifications. There is a large population of ATSI backgrounds and there is a growing number of Pacific Islanders in the community. There are high rates of crime in this area and many in the community live in fear. Due to the fact that these people must rely on Public Housing and Centrelink benefits they are trapped and unlikely to improve their lives or the lives of their children. The cycle of alcohol and drug abuse will pass from generation to generation because in effect, they live in slum conditions. This is not the only public housing estate of its kind in Sydney and NSW.

*Submission 38, pp.2-3 (Ms J Maynard).*

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33 *Committee Hansard 2.5.03, p.266 (Tasmanian Commissioner for Children).*

34 See for example, *Submission 133, p.5 (UnitingCare Australia).*

11.45 Of most concern are the poor educational achievements and diminished opportunities suffered by children in poverty. UnitingCare Burnside stated 'much has been made in recent years about the importance of parental choice in education. Poverty makes a mockery of such statements'.<sup>35</sup> Low income families do not have a choice of school: their children must rely on the public education system and because of transport costs, must rely on the closest public school rather than the one best suited to the needs of their child. This can lead to lifelong disadvantage with early school leavers often unable to find employment, thus perpetuating the cycle of poverty.

11.46 Poverty contributes to isolation and exclusion. Isolation arises through housing choice: as already noted, poor families are restricted to low cost areas where poor transport makes getting around difficult. If families have moved away from family and friends, they have fewer support networks and their sense of isolation increases. In the private rental market, housing is less secure and families may move frequently, thus making it extremely difficult to build networks. As UnitingCare Burnside noted 'at the most extreme end, child and family homelessness makes it extremely difficult to maintain any stable connections with people or place'.<sup>36</sup>

11.47 The discussion in Chapter 7 on school education noted that children living in poverty often feel isolated and excluded within the school environment: their families lack money for books, uniforms, computers, participation in sports or excursions.

11.48 Children from poorer families are less able to afford to go out with friends or keep up regular social contacts. They have less pocket money than other children and don't have the same toys or games. Children living in poverty may feel unable to invite friends home because they live differently to their friends. One parent described this situation:

Like my daughter, she has friends who come from fairly well off homes and I find that after a while the friendship cools off. The others can do this and do that but she can't and it affects the relationships.<sup>37</sup>

11.49 UnitingCare Burnside concluded that 'as poverty isolates it robs people of their sense of connection to others and diminishes their motivation, energy and capacity to contribute to the wider community'.<sup>38</sup>

11.50 Children in poverty are also exposed to greater risks than other Australian children, ranging from insecure accommodation and the threat of homelessness to poor physical and mental health. Families suffering hardship are placed under

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35 UnitingCare Burnside, p.18.

36 UnitingCare Burnside, p.19.

37 *Submission* 133, p.5 (UnitingCare Australia).

38 UnitingCare Burnside, p.19.

enormous stress which may lead to violence, to marriage breakdown and mental health problems. Children in poverty may live in families where drug and alcohol abuse are present, and where there is criminal and anti-social behaviour. The impact of these risks on children, as the most vulnerable members of the family, is often profound leading to life long disadvantage and hardship for themselves.

### **The impact of poverty on children**

Children are vulnerable and dependent, and the effects and impacts of poverty can so easily stultify and distort their future lives by robbing them of opportunities to develop their potential.<sup>39</sup>

11.51 There have been numerous studies on the impact of poverty on children and a range of adverse outcomes have been identified.

11.52 In the area of learning and educational attainment studies both in Australia and overseas indicate that child poverty has a detrimental impact on achievement. The research indicated that children living in poverty have reduced cognitive development and score lower IQs, the latter being particularly apparent for children exposed to poverty early in life. There are problems in adjustment and lower school achievement. Children who experience poverty are more likely to experience learning difficulties and developmental delays. Poor families do not always have access to educational resources such as books and computers. Parents are less likely to read to their children and to foster an expectation of educational achievement and life-long learning.<sup>40</sup>

11.53 Other research cited by UnitingCare Burnside identified children's situations that magnify the negative education impacts of poverty, including:

- children whose parents have chronic psychiatric illness or a drug and/or alcohol problem;
- children where English is not spoken at home and where parents have little education themselves and may be illiterate in their native language;
- children living in multi-problem families (violence, drug abuse, mental illness) where parents are overwhelmed and not coping; and
- Indigenous families and communities where poverty is entrenched and pervasive.<sup>41</sup>

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39 McClelland, p.7.

40 UnitingCare Burnside, pp.22-23; McClelland, pp.16-17; *Submission* 98, p.24 (BSL).

41 UnitingCare Burnside, p.23.

11.54 Children living in poverty have poor overall health and grow into adults who have a greater risk of poor health. Disadvantaged children have:

- higher rates of prematurity and low birth weight;
- higher rates of infant mortality;
- increased rates of sudden infant death syndrome;
- increased rates of accidental and non-accidental injury and death;
- lower rates of immunisation;
- lower prevalence and duration of breast feeding;
- increased rates of developmental delay; and
- increased rates of hospitalisation.<sup>42</sup>

11.55 Children with the highest burden of oral disease are more likely to be from a lower socioeconomic background, reside in rural areas or be of Indigenous origin. Nationally, boys aged 0 to 14 years from poorer areas are 20 per cent less likely to have gone to the dentist in the previous 12 months than boys in richer areas, girls were 40 per cent less likely.<sup>43</sup>

11.56 UnitingCare Burnside also reported that children in poverty are at significantly greater risk of developing mental health and behavioural problems such as delinquency, depressive and anxiety disorders, substance abuse etc. A West Australian study found that as parental income fell, the incidence of mental health problems increased: an average of 15 per cent of the children in the upper three quintiles of income suffered mental health problems, the proportion increased in the lowest two quintiles to 19 per cent and 25 per cent respectively.<sup>44</sup>

11.57 There is evidence that poverty and associated disadvantage are significant factors in youth suicide. Studies have shown that those in low paid jobs - where there is low job autonomy and lower promotional prospects, tend to have higher suicide rates. It was also found that youth suicide is related to unemployment, greater dependency and poverty. Burnside concluded that 'while it needs to be remembered that there are significant other influences on suicide, notably mental health concerns,

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42 UnitingCare Burnside, p.25.

43 *Submission* 185, p.20 (Tasmanian Government).

44 UnitingCare Burnside, p.24.



the significance of poverty including the vulnerability it creates to other problems, should not be discounted'.<sup>45</sup>

### **The impact of poverty on children's health – A service providers perspective**

Within the last two weeks on a local housing estate we have experienced an epidemic of impetigo and scabies in children, from babies to teenagers. There were small babies covered in weeping sores which were aggravated by an underlying scabies infection which made them scratch and was extremely painful. There were babies who had lived with this condition for months. These children were living in households of up to 15 on a high-density housing estate. Many of their parents had poor English and had not accessed health care cards as they were unaware of their entitlements, or language and cultural barriers had prevented them from attending Centrelink...

Public transport to get to medical attention is expensive, as the only accident and emergency services are located in areas such as Wollongong or Shellharbour, which require an expensive private bus trip, one which parents could not afford. Even if they accessed their local doctor, many did not have Medicare cards for bulk-billing, and anyway they could not afford the medication. So children went untreated. Barnardos, when it became aware of this situation, approached the public health system to attempt to address the problem. They had no services which could meet these children's needs. There was no public health response, due to lack of resources, so no assistance was given.

We managed to convince a local general practitioner to visit our community centre on the estate in his lunchtime, see the 15 children who attended on that day, and issue scripts. Luckily, the department of community services very generously agreed to pay for the \$500 worth of scripts that were required for these 15 children and treatment could then progress. We had workers supervising the initial treatment for families to make sure it worked. The average cost per script was \$40 for three medications necessary to treat the illness, a charge which was way beyond affordability for these families.

Our concern is what happens next time. This was a response to a crisis which worked this time for the 15 children involved. It worked because of the personal networks staff had in the area to pull services together at short notice...On this same estate we have experienced long periods of head lice outbreaks, leading to disruption in children's education, as do the impetigo and scabies. We have searched for dollars to purchase head lice treatment, to no avail. In the end, because parents cannot afford the treatment, they shave their kid's heads. Children who attend the schools are then taunted and teased because they are bald and dirty. The consequence is that they do not attend school. Untreated childhood diseases which are a direct result of family poverty affect children's education. Simple childhood diseases should not disable our children.

*Committee Hansard 2.7.03, pp.918-99, Barnardos Australia - South Coast NSW.*

### **The impact of poverty on children's health – A GPs experience**

If I had to give a kind of stereotyped chronology of what I see happens with my patients and I look at just an 18-year cycle, what I can see is a patient who might have sporadic antenatal care because their mother does not get proper antenatal care, they are not breast fed or are only breast fed for a week or two, they are put onto cow's milk too early and are then put onto solids and given largely a sugar and trans-saturated fat diet. Then by preschool and when I see them—when they are four or five or younger—they have terrible teeth, which are like a window to their health. They have dental caries, recurrent upper respiratory tract infections, otitis media and a kind of obesity we are seeing now among the poor...

There is no one-on-one language development for many of these kids and no books. There is an environment of violence at home, late nights, no sleep and sporadic attendance at school, with them leaving school at grade 8 or 9 or 10 virtually illiterate and virtually innumerate...

As GPs we see that on a daily basis, and there are some points to take from that. We tend to be brought up with the notion that people get obese because they eat too much good food, whereas what is being evidenced now in the literature is that people are eating too much junk food and getting fat but they are malnourished. Despite the fact that they are overweight, they are malnourished because of a large diet of sugar in various forms—soft drinks and so forth—and transsaturated fat intakes. There is a lot of evidence to suggest that peri-natal nutrition—nutrition during the first few months of life—is vitally important to long-term health care.

*Committee Hansard 4.8.03, p.1220, Dr Theo van Lieshout (an Ipswich GP).*

11.58 Poverty places great strains on family relationships and children may be living in households suffering from dysfunctional relationships. Poverty also undermines parenting with studies finding that economic and social stress leads to parents being less nurturing and more rejecting of their children.<sup>46</sup>

11.59 Children living in poverty have a higher incidence of child abuse and neglect and their parents have poorer parenting skills.<sup>47</sup> As noted by the Child and Family Welfare Association of Australia (CAFWAA), 'while most poor families do not abuse or neglect their children...research collectively identifies poverty as the single most significant condition connected to child abuse and neglect'. For example, in the United States a survey of child abuse reports made to central registries found that nearly 60 per cent of families involved in abuse incidents had been on welfare during or prior to the study year.<sup>48</sup> Barnardos also pointed to studies that confirm a marked relationship between the rates of abuse and neglect and socio-economic group: children from the

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46 UnitingCare Burnside, p.25.

47 *Submission 70*, (Barnados Australia); *Submission 109* (Child & Family Welfare Association of Australia Inc).

48 *Submission 109*, p.6 (CAFWAA); see also *Submission 129*, p.35 (Qld Government).

lowest socioeconomic groups suffering a greater incidence of abuse and neglect. This finding was confirmed by Barnardos own analysis of its abuse prevention programs which revealed that over 70 per cent of clients were dependent on pensions or benefits.<sup>49</sup>

11.60 Other evidence supported these findings. CAFWAA noted that a South Australian study of abused children in sole parent families found that in 54 per cent of cases involving the mother and 44 per cent of cases involving the father, the parent was receiving a pension. In Victoria a study found that most parents of children in care of the Department of Human Services were receiving a pension or benefit.<sup>50</sup> In NSW, a study found that rates of physical abuse were two and a half times higher in the bottom 4 per cent of post code areas (identified in terms of socioeconomic variables) than the 6 per cent of postcodes immediately above.<sup>51</sup>

11.61 While noting that parenthood can at times be stressful, Barnardos stated that 'financial resources can make the difference as to whether or not behaviour towards children remains socially acceptable'. Poverty affects parents' relationship with their children because of social isolation, lack of access to information about parenting and conditions of the parent-child interaction (attitudes in childrearing, which includes a sense of hopelessness and predisposition to violence). Social isolation leaves children vulnerable as parents get little relief through emergency support; there is a lack of social policing; and there is a lack of emotional and practical support. Poverty also means that parents can not afford babysitting, quality child care or social or sports activities. Parents in poverty are also more likely to suffer from ill health and to have children who are ill. UnitingCare Burnside concluded that:

Under these circumstances it is understandable that some parents have a less informed or unrealistic understanding of parenting and children's behaviour. When these obstacles are compounded by significant additional burdens such as substance abuse or mental illness the tasks of parenting can seem insurmountable and family life becomes a landscape of unrelenting trouble.<sup>52</sup>

### **Social and economic costs of child poverty**

11.62 UnitingCare Burnside identified many of the social and economic costs of child poverty:

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49 *Submission 70, Attachment Child Poverty and Social Exclusion, and its impact on the welfare of Children and Young People in Australia*, updated Feb 2003, p.4 (Barnardos Australia).

50 *Submission 109*, p.7 (CAFWAA).

51 UnitingCare Burnside, p.26.

52 UnitingCare Burnside, p.26.

- learning difficulties and delayed cognitive development increases costs of special education and remedial education services in pre-schools. In later life there are substantial costs associated with school failure, reduced school retention rates, lower employment, productivity and taxation revenue and increased income support payments and other costs associated with unemployment;
- costs associated with mental health problems and behavioural difficulties include provision of specialist teachers for students with behavioural problems, costs of community mental health services, GP services, and in-patient and out-patient mental health and psychiatric services;
- lower health status results in higher utilisation of many health services including GPs, community health services and hospitals;
- ineffective parenting results in increased direct and indirect costs across a broad spectrum of services; and
- child abuse and neglect carries an enormous financial cost. Costs include expenditure on government agencies having statutory responsibility for child protection and investigation of child abuse and neglect. There are also costs for police, courts and very significant costs related to the provision of out-of-home care.

11.63 The South Australian Government estimated that in 1995-96 \$355 million was expended because of child abuse and neglect. This included \$2 million by welfare, health, education and justice agencies in responding to known incidence of child abuse and neglect; \$10 million in responding to child abuse and neglect not reported to child protection agencies; and \$303 million in further costs including disability, injury and the subsequent effects on the future parenting ability of the child.<sup>53</sup>

11.64 Witnesses also pointed to the broader economic and social costs of child poverty. They argued that children who live in poverty and who do not reach their full potential as a result of privation, lack of educational attainment and motivation represent a lost opportunity for economic growth. In particular, leaving school early adversely impacts on the human resources available to the economy. The 'human-capital' potential of the children may never be realised to benefit the economy. The Tasmanian Commissioner for Children for example, pointed to Taiwan, Korea and Singapore where there has been significant investment in education resulting in expanding economies.<sup>54</sup>

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53 *Submission* 187, p.8 (South Australian Government).

54 *Submission* 106, p.12 (Office of the Commissioner for Children).

11.65 In addition, lost opportunity costs caused by child poverty may have a greater impact in the future with the growth of 'knowledge economies' where the capacity for creativity and innovation will be key ingredients. These ingredients are dependent on human and intellectual resources. Unitingcare Burnside concluded:

[We] would like to emphasise that providing resources will be most important where children's developmental opportunities are most compromised, ie for children and families in poverty. To maximise our nation's capacity for growth and innovation we need a healthy, competent population across all socio-economic levels.<sup>55</sup>

11.66 There is also a social cost in child poverty. Isolation and dislocation in childhood through poverty undermines connections with community and institutions in that community. The social fabric of society is undermined. The SDA argued that the well-being of families is crucial to the well-being of the nation. As such, 'there is an overwhelming need for government to put in place strategies to support families. Such strategies must be designed to build social capital by promoting families and extending their capacity to function effectively'.<sup>56</sup>

11.67 Witnesses also pointed to the cost of intergenerational poverty where there is a cycle of deprivation.<sup>57</sup> Children living in poverty are more likely to experience adult poverty with a huge cost to society generally. There was evidence from welfare agencies that two and even three generations of families were being assisted by agencies.

## **Responding to child poverty**

### ***National approach***

11.68 The process of child poverty is complex and the solutions are also complex, going far beyond simply increasing government income support. It was argued that a fundamental step in alleviating child poverty (and poverty generally) is the development of a long-term comprehensive plan to address child poverty. Such a plan would enable a national approach to be taken and encompass both the Commonwealth and State and Territory Governments in consultations with key stakeholders. It would require commitment and the development of long-term, comprehensive goals. CAFWAA proposed that:

...in terms of a national strategy, we put to the inquiry that there is a glaring need for a national approach to reducing levels of child poverty. The costs are far too high for the individuals concerned and for society at large. In

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55 UnitingCare Burnside, p.30.

56 *Submission 50*, p.33 (SDA).

57 Saunders quoted in *Submission 117*, p.24 (Catholic Social Services Victoria).

saying that, obviously we are not suggesting that that is simply or easily done, but it does require a national approach, a holistic approach, and it will require leadership from the Commonwealth to develop and implement that strategy.

CAFWAA stated that a national plan must address simultaneously the structural systemic issues as well as the particular personal obstacles that a lot of families are facing.

So it is about a strategy that addresses clearly matters of low family income. Low family incomes need to be lifted in absolute and in relative terms. The access to services for poor families, particularly access to affordable housing, is critical as well as access to health and education. As well as those systemic issues, we have to inevitably put in place targeted programs for poor families...to address some of the major personal barriers that they experience, that have often come from their impoverished circumstances: issues to do with family violence, issues to do with mental health, difficulties in their role as parents and parenting effectively and so on.<sup>58</sup>

11.69 UnitingCare Burnside also recommended that consideration be given to positioning aspects of a national plan to address child poverty within a broader national early childhood development strategy. The impact of poverty in early childhood is discussed further in Chapter 7. UnitingCare Burnside also recommended that consideration should be given to the instigation of a Children's Futures levy (similar to the Medicare levy) in order to raise funds for the enhancement of all Australian children's developmental opportunities including children living in poverty.<sup>59</sup>

11.70 National child anti-poverty plans have been developed overseas. In both the United Kingdom and Ireland the commitment to the eradication of child poverty has been at the forefront of the political agenda. In Britain, between 1979 and 1997, child poverty rose significantly: from 14 per cent to 33 per cent (defined as children living in households with equivalised incomes below 60 per cent of the median after housing costs). There was also evidence that living standards were not being maintained and international comparisons demonstrated that the UK was not faring well compared to Europe and the OECD.<sup>60</sup>

11.71 In 1999, the UK Government announced that it was on a twenty year mission to 'end child poverty forever'. Child poverty would be reduced by 25 per cent by 2004

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58 *Committee Hansard* 26.5.03, pp.342-43 (CAFWAA).

59 UnitingCare Burnside, p.31.

60 Adelman, L, 'Role Reversal: Child Poverty in Australia and Britain', SPRC Newsletter, No.84, October 2003.

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and 50 per cent by 2010, and to eradicate it by 2020. The first phase of the program would see 1 million children removed from poverty.<sup>61</sup>

11.72 Child poverty is not being tackled in isolation; young people, working age people, older people and communities are also being targeted. To do so, the UK Government is developing benchmarks and indicators to monitor progress in the achievement of its anti-poverty objective and has established government bodies and consultative mechanisms that are tasked with developing policy to that end. Specific strategies for different groups have been identified, including:

- investing in the crucial early years and education to break the cycle of deprivation;
- building a proactive welfare system which helps people into work;
- tackling the problems of low income and social exclusion among pensioners; and
- ensuring core public services address the special needs of deprived areas.<sup>62</sup>

11.73 One program targeted to children, the SureStart program, works to deliver the best start in life for every child. It brings together early childhood education, health and family support.<sup>63</sup>

11.74 Government benefits for children have been increased substantially in real terms, with rates for children aged under 11 rising by 80 per cent. In April 2003, the Child Tax Credit (a means tested allowance paid to persons who are responsible for at least one child or qualifying young person) was introduced. The Child Tax Credit is made up by two different elements, the family element and the child element. The rate of child element for each child depends on the circumstances of each child in the family with extra amounts for children who are disabled.

11.75 Since the introduction of anti-poverty programs in the UK, poverty has declined, with child poverty reduced to 30 per cent. This is the lowest level in the UK since 1991. However, the Government has been warned that the rate of decrease in child poverty will have to increase in order to meet the 2004 target. This is partly due to the increasing national income which impacts on the measure of poverty used – the contemporary median income poverty line. This poverty line increased by 15 per cent in real terms between 1998 and 2002.<sup>64</sup> The UK Government has responded by

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61 Timmins, N, *Child tax credit 'needs to rise'*, Financial Times, 1 November 2003.

62 *Submission* 163, p.26 (ACOSS).

63 Mission Australia, 2003, p.4.

64 Adelman, p.4.

seeking consultations on the measurement of child poverty to establish a poverty measure that 'commands widespread support'.

11.76 In 1997, the Irish Government adopted through their National Anti Poverty Strategy explicit targets for the reduction of poverty in the areas of educational disadvantage, unemployment, adequacy of social transfers, disadvantaged urban areas and rural poverty. The Irish NAPS is discussed further in Chapter 18 on future directions where the Committee has also made recommendations on a national strategy to alleviate poverty in Australia.

### ***Initiatives to reduce the incidence and impact of child poverty***

11.77 Submissions contained many specific recommendations directed at alleviating child poverty. It was noted that those measures which impact generally on poverty will aid children: reducing unemployment rates and improving wages. Many witnesses pointed to the need to ensure that government income support was adequate to the needs of families with children. It was argued that inadequate income is a key feature of the experience of poverty. As so many families receiving income support are in poverty it was recommended that the level of income support be lifted. UnitingCare Burnside recommended that all benefits should have parity with the base aged pension rate.<sup>65</sup>

11.78 Witnesses also pointed to the role of education in overcoming child poverty. Improved levels of educational attainment not only ensure that parents are less likely to be unemployed, higher levels of educational attainment by children now living in poverty will help them into employment and ensure a higher quality of life in adulthood. The Committee considers education is one of the fundamental issues in breaking the cycle of poverty and it is discussed in detail in chapter 7.

11.79 The Committee also received much evidence on the benefit of integrated programs which aim to provide integrated support for children and their families. Many of these programs are delivered by welfare and community organisations. They target specific communities and provide a continuum of care and support. Their aim is to ameliorate the impact of poverty on many levels.

11.80 Three services initiatives were recommended by UnitingCare Burnside:

- development of a system of multi-component early parenting support and education programs for families at risk;
- quality children's services (long-day care and pre-school) must be made more accessible to disadvantaged families; and
- expansion of intensive family services for families with more entrenched and complex problems.

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65 UnitingCare Burnside, p.32.



11.81 Multi-component parenting support and early education programs are aimed at at-risk families. UnitingCare Burnside stated that such a system does not currently exist in Australia and pointed to the Head Start Program in the United States and SureStart in the UK as examples of programs instigated overseas. For those beginning in infancy, outcomes of these programs have produced some substantial improvements including better school attendance; improved behaviour for children and for parents improved nurturing attitudes to children; greater confidence as parents; and adoption of less punitive approaches to discipline.

11.82 SureStart is part of the UK Government's drive to tackle child poverty and social exclusion, by improving the health and well being of families and children before and after birth, so children are ready to flourish when they get to school. By 2004, 500 SureStart programs were established in neighbourhoods with the highest level of poverty focussing on improving social and emotional development, improving the ability to learn, improving health and providing nurturing advice. The Government committed £898 million for programs in England between 2002 and 2004.

11.83 SureStart services bring together universal, free, early education and more and better child care with greater support where there is a greater need through children's tax credit, children's centres and SureStart local programs. Local programs are as varied as the areas and communities that they serve and each is unique and develops services and facilities that parents of under fours have identified as being needed. Some examples of programs include:

- employment, training and confidence building through support and resources to encourage and enable employment, for example, providing IT training with childcare facilities;
- post natal support projects to support children under four and their families in the target area; and
- book and toy bus project that provides a service that welcomes and encourages the youngest reader.

11.84 Over the past decade, welfare agencies have sought to go beyond providing just immediate assistance to children in poverty and have established family support and early intervention programs to reduce the impact of poverty. Mission Australia stated that there are more than 10,000 such programs. At the State and Commonwealth level there has also been a move toward early intervention. Examples include the Victorian Government's *Best Start Strategy*, the *Families First Strategy* in New South Wales, Tasmania's *Together* strategy, Queensland's *Families: Future Directions* and the Commonwealth's *Stronger Families and Communities Strategy*.

11.85 Community agencies provide many programs. For example, UnitingCare Burnside pointed to its Intensive Family Based Service where each staff member works with two families with a high number of contact hours per week. It was stated this service are very positive with one study indicating that the risk to children

participating had been decreased by 81 per cent. However, this is one of the few programs of this type available to families with complex needs.<sup>66</sup>

11.86 UnitingCare Burnside argued that there was a need for an intensive program to provide services in disadvantaged areas with a high incidence of child abuse and neglect and a high rate of entry of children and young people into care. Such a program would be of great benefit to Indigenous communities where there are high rates of entry of children and young people into care.

11.87 Mission Australia's *Pathways to Prevention Project* targets preschool age children, their families, schools and community with early intervention programs designed to help children make a successful transition from home to school. A suite of early intervention programs have been developed and implemented within a community development framework.<sup>67</sup> Mission Australia commented:

Mission Australia is convinced that the development of adequate early intervention and prevention strategies available at the known steps of social and economic disadvantage and at significant life transition points would significantly reduce the impact of poverty for many Australians...

Mission Australia are also aware that the responsibility for addressing the issue of poverty is not solely with governments. Our experience with the Pathways to Prevention Project and other joint ventures is that the best solutions are based on effective partnerships between government, non-government, universities and the private sector. Involvement of non-government and other sectors should not be seen as an alternative to government initiatives but as a means by which government can add value to their programs.<sup>68</sup>

## Conclusion

11.88 Child poverty remains a critical issue in Australia. While progress in reducing child poverty was made from the mid 1980s to the mid 1990s, it now appears that child poverty is again on the increase. The Family Tax Initiatives have failed to maintain the downward trend of child poverty rates. Research shows that using the half average income poverty line, child poverty fell from 14.3 per cent in 1990 to 13.1 per cent in 1996 and rose to 14.9 per cent in 2000. This means that some 743,000 children were living in poverty in 2000.

11.89 Of particular concern to the Committee is the level of child poverty in families termed the 'working poor'. In 1997-98 there were 163,000 children in working poor families. This is a much larger number than previously estimated.

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66 UnitingCare Burnside, p.45.

67 *Committee Hansard* 4.8.03, pp.1210-15.

68 *Committee Hansard* 4.8.03, p.1215 (Mission Australia).

11.90 The Committee endorses the calls for addressing child poverty as a national priority. The cost of not doing so is too great. First, to have 15 per cent of all Australian children living in poverty is far too high. This means that nearly one in seven children are going without those things that other Australian children take for granted: adequate food, shelter and clothing; access to books, computer facilities and family outings; the opportunity to undertake activities outside school such as sport and music lessons; and to have an optimistic outlook that as an adult in Australia they will have a job that provides them with economic security and a family that does not just survive but flourishes.

11.91 Secondly, the cost of child poverty is far too high for children in poverty, their families and the Australian economy and society. Children suffer through poor health, from dysfunctional families and often abuse and neglect. Poverty is associated with behavioural difficulties, low educational attainment and juvenile offending. Isolation and lack of opportunity compound these problems. There are direct costs to the economy of larger health, social welfare, education and criminal justice expenditure. Indirectly, there are lost opportunity costs to the economy as children do not meet their full potential and costs to society through inequality and the erosion of social cohesion and the overall diminished capabilities of the population.

11.92 The Committee considers that child poverty must be addressed as a national priority. While it is important to address the inadequacy of family incomes through greater employment and adequate income support, the problem of child poverty is more complex. There also needs to be a co-ordinated approach to providing services and programs to disadvantaged areas. These services and programs need to cover intensive services for children and families at risk; the provision of adequate housing; early intervention programs; early childhood programs and improving educational opportunities.

11.93 Longer term preventative and early intervention programs are important to breaking the cycle of intergenerational poverty. Targeting children and young people at risk to improve their long term outcomes through family support, early childhood education and prevention are a significant key to lasting improvements.

### **Recommendation 43**

**11.94 That the Commonwealth, in cooperation with the States and Territories, develop a comprehensive system of community-based early childhood and parenting support for all families.**

### **Recommendation 44**

**11.95 That the Commonwealth and State and Territory Governments cooperate to ensure that additional intensive services are funded for disadvantaged families experiencing multiple and complex problems which impact on the care of children. Further, that the provision of such services in Indigenous communities be given a high priority.**

**Recommendation 45**

**11.96 That the Commonwealth conduct an audit of existing rules relating to parents receiving income support payments to ensure these do not place children at risk of hardship.**

**Recommendation 46**

**11.97 That the Commonwealth develop and implement a community education campaign for new parents aimed at improving the nutrition of children.**

## CHAPTER 12

### YOUTH AND STUDENT ISSUES

12.1 Many young people face the risk of poverty: Mission Australia estimated that around 15 per cent of all young Australians in the 15 to 24 age group experience a mixture of intermittent and or/entrenched poverty on an annual basis.<sup>1</sup> There are numerous causes of youth poverty: leaving school early and experiencing poor work prospects; homelessness; and failing to make a successful transition from school to work.

12.2 The transition from study to employment has become increasingly complex and less predictable. In the past, young people who left school early could undertake apprenticeships and find full-time jobs while those who finished secondary education could also find full-time work, or go onto further training or tertiary studies. Today, those making the transition from school into the workforce face the same problems as older Australians such as greater numbers of part-time, temporary and casual jobs and declining numbers of jobs in certain sectors such as manufacturing. This increases the risk of poverty.

12.3 These changes have had a great impact on young people who fail to complete secondary schooling with clear evidence of higher rates of unemployment in this group. Those continuing with further education and training post-school also face numerous problems: living on income support; balancing study and part-time work; and finding adequate accommodation. This is often a very difficult task particularly if there is little or no family support.

#### **Rates of poverty**

12.4 Young people aged 15 to 24 years experience a high poverty rate in Australia. The poverty rate for all 15 to 24 year olds was 15.9 per cent in 2000. Single young people experience a poverty rate of 20.8 per cent compared to a rate of 18.3 per cent for all singles. The estimated number of young single men in poverty in 2000 was 164,000 and young single women 102,000.<sup>2</sup>

12.5 The high rate of poverty is in part due to young people generally having lower incomes as they are at the start of their careers or fill low paid jobs while they are studying. Young people also face high unemployment rates. However, it was noted that the apparently high youth poverty rate has to be treated with some caution as about half of all single 15 to 24 year olds in poverty are non-dependent children still

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1 *Submission 169*, Attachment, p.15 (Mission Australia).

2 Harding A, Lloyd R & Greenwell H, *Financial Disadvantage in Australia 1990 to 2000: The persistence of poverty in a decade of growth*, Smith Family, pp.7,16,17.

living at home with their parents. While it cannot be assumed that their parents are always willing or able to offer financial support, in many cases young people receive free or subsidized housing, meals and utility expenses thereby increasing their standard of living.<sup>3</sup>

12.6 The Department of Family and Community Services (FaCS) commented on the different patterns of family support for young people:

Consequently, not only are short-term measures of income a poor guide to living standards, but they also can provide a very misleading perspective on the real circumstances of the individual and their outcomes over their lifecycle.<sup>4</sup>

12.7 While it is true that for many young people measures of income are not a completely accurate guide to their long term outcomes, the structural changes in the labour market over the last two decades have made it difficult for many young people to make a smooth transition from school to work. Many who have left school early find themselves trapped in a cycle of unemployment, part-time work and labour market programs rather than constructive career development.<sup>5</sup>

### **The impact of poverty on young people**

12.8 The Committee received much evidence on the impact of poverty on young people. Of most concern was the impact on the education of young people and therefore their employment prospects. Witnesses painted a bleak picture of young people struggling to continue their education and training in households where there is very little money for even the basic necessities of life. As has already been noted in the Committee's chapter on education, low income families find it difficult to fund the educational needs such as uniforms, books, excursions and computer equipment.

12.9 For many young people leaving school early is an easy option. However, without an adequate education there are very few opportunities for a successful working career. The labour market in Australia has changed and unskilled young people face the prospect of few full-time jobs and many part-time or casual jobs. Young people can obtain income support but witnesses noted that parental means testing of Youth Allowance recipient families with young people up to the age of 25 can place undue stress on families on low incomes. (Income support is discussed in more detail later in this chapter.) The low level of income support and deterioration of the youth labour

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3 Harding, Lloyd & Greenwell, p.7.

4 *Submission* 165, p.18 (FaCS).

5 Smyth C, Zappala G & Considine G, 'School to adult life transitions through work and study: A select review of the literature', The Smith Family, Background Paper No. 4, 2002, p.1.

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market inhibits young people's move towards independence and places further strains on families who might already be suffering financial hardship.<sup>6</sup>

12.10 Many examples were provided of young people forced out of home due to family breakdown and to financial stress. Where young people are forced into inappropriate and transient accommodation or even homelessness, maintaining an educational program or a job is extremely difficult. SACOSS stated:

By the time you reach our service, school is one of the last things on your mind, and they have been out of that system for a long time. You cannot sustain education if you have nowhere to live and you cannot sustain education and keep up with your peers if you are moving. Again, it goes back to the transitional housing, the lack of response and the lack of ability for people and families who are very poor to be able to stay in one place.<sup>7</sup>

12.11 Finding affordable and secure accommodation is a major issue facing young people, particularly those in low paid work, insecure employment or who receive government benefits. The Smith Family noted that many younger single people are struggling in the private rental market. Low income young singles have the highest rate of housing stress of any type considered by The Smith Family study *Barriers to Participation*, with almost four in every five low income young singles reporting housing costs that exceed 30 per cent of their disposable income.<sup>8</sup>

12.12 The Hunter Council of Social Services commented:

...the youth Newstart Allowance and even those who get their independent rate, the living away from home rate, or the homeless rate, as people like to know it, accommodation is the same cost regardless of the income you get from Centrelink. For a young person who is homeless, to access accommodation is near impossible—a one-bedroom flat is around \$110 to \$150. An adult has got a higher chance of getting it purely because the income they receive from Newstart is a higher amount purely based on age.<sup>9</sup>

12.13 The Doctors Reform Society noted that young people are often pushed into boarding houses 'that could be totally inappropriate for a young person because they are unsafe or they are in share accommodation with older people where they can be exploited'.<sup>10</sup>

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6 *Submission 57*, p.18 (AFHO).

7 *Committee Hansard 29.5.03*, p.57 (SACOSS)

8 *Committee Hansard 27.5.03*, p.385 (The Smith Family).

9 *Committee Hansard 29.5.03*, p.565 (Hunter Council of Social Services).

10 *Committee Hansard 4.8.03*, p.1223 (DRS).

12.14 Homelessness may become the only option for young people who cannot find affordable accommodation, who face discrimination in the private rental market or who have no income because of breaching:

I don't have a house 'cause you stopped my payment and I could not pay rent.<sup>11</sup>

12.15 The extent of youth homelessness is found in SAAP data which indicated that assistance was provided for 32,800 young people in the year ending 2002. Mission Australia stated 'given the likelihood that large numbers of young people don't formally seek assistance through housing agencies, these figures can be considered as conservative estimates'.<sup>12</sup>

12.16 The Australian Federation of Homelessness Organisations (AFHO) recommended that a more equitable means of determining the level of public housing subsidies available to young people on very low incomes such as through the use of a sliding scale measure of housing affordability, associating rent levels to income levels.<sup>13</sup>

12.17 Poverty and unemployment also can impact on the personal development and health of young people. Work provides avenues for skill development, responsibility, avenues for decision making and social interaction. These are important in developing a sense of adulthood and independence. For some unemployed youth, lack of developmental opportunities and isolation may lead to mental health problems. One Australian study, which examined mental health of unemployed youth, found that the majority of unemployed youth with psychological problems were not suffering from these problems prior to unemployment. Another study found youth who become unemployed after leaving school suffered from greater unhappiness, boredom, anger with society, loneliness and helplessness than employed school leavers.<sup>14</sup>

12.18 There is evidence to suggest that unemployment, combined with other disadvantaging factors, may result in youth engaging in crime.<sup>15</sup> Research also indicates that the longer people stay in school, the less the likelihood of the criminal incidence of property crime.<sup>16</sup>

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11 *Submission 77*, p.11 (Melbourne Citymission).

12 *Submission 169*, Attachment, p.12 (Mission Australia).

13 *Submission 57*, p.19 (AFHO).

14 Muir K, *Youth unemployment in Australia: a contextual, governmental and organisational perspective*, A Report by The Smith Family for the AMP Foundation, November 2003, pp.9-10.

15 Muir, p.10.

16 *Committee Hansard 27.5.03*, p.382 (Smith Family).



12.19 Other witnesses also emphasised the link between poverty and youth crime.

There is a strong link between poverty and crime. During our research into young women's legal needs we discovered that 100 per cent of young women charged with serious offences indicated that they had no income. Forty per cent of young women charged with lesser offences indicated that they had no income. Young people who are poor are very vulnerable to homelessness and criminal activity.<sup>17</sup>

12.20 Often young people start with petty crime then move onto more serious offences. The justice system may provide first time offenders with rehabilitation but when they are released into the community there is no support and no prospect of employment. St Vincent de Paul commented in these cases young people cannot cope with being out in the community again with no hope of getting any sort of job.<sup>18</sup>

12.21 Passages Resource Centre in Perth provided the Committee with this disturbing evidence about two brothers who sought their assistance:

They are both physically underdeveloped, due to inadequate food and poor nutrition in early childhood, and the eldest is experiencing ongoing dental problems as a result of this. They are both uneducated. School has been a terrible experience for both the boys as the family was unable to provide adequate clothing and resources such as textbooks, pens, paper, uniforms, those sorts of things, which has isolated them from their peers in the school environment. Both the boys left school before the age of 13 and both of them now struggle with their levels of numeracy and literacy.

Both the boys were living on the streets by their 13th birthday, with no social or material support. The eldest lived on the streets, sleeping in car parks and abandoned buildings for nearly a year, with no income whatsoever. At times he was forced to steal and was involved in sex work also. His involvement in the sex industry has adversely affected his capacity to form meaningful and trusting relationships. His involvement in crime is going to have a dramatic impact upon his future, due to his criminal record, and he has unpaid train fines totalling around \$15,000.

When the boys were finally granted Centrelink payments there were occasions where the parents actually misappropriated those funds. In spite of the years we have worked with them and the efforts to get them secure in long-term stable accommodation, we just have not been able to do so. This example is not something that is unusual within the centre. It is something that goes on all the time. It is just a single example of what we have to deal with every day.

*Committee Hansard* 28.7.03, p.997 (Passages Resource Centre).

17 *Committee Hansard* 28.7.03, p.1005 (SVDP, Perth); see also *Committee Hansard* 29.7.03, p.1093 (Anglicare NT); p.1105 (Centacare NT).

18 *Committee Hansard* 1.7.03, p.862 (St Vincent de Paul Lismore).

12.22 The costs of criminal activity are high not only in personal terms for the young person entering the justice system but also in economic terms:

We are determined to ensure that the young people we support keep out of the prison system. We know that prisons are popular; they are growing so rapidly, it is hard to keep up with it. But youth workers are a much more cost-effective way of supporting young people than prisons. It costs \$60,000 a year to keep a person in prison, so if you put those 50 young people in prison, it would cost \$3 million a year rather than the \$200,000 that we spend, and we think it is very cost-effective.<sup>19</sup>

12.23 There are also a number of long term consequences of youth poverty and unemployment. Once out of the workforce, reemployment may become harder due to low self-esteem and isolation. Some youth, disillusioned with the prospects of employment, may opt out of the labour market altogether. These youths need to re-establish connections with the labour market, but may not have the ability to do so. Many welfare organisations recognise the need to build self-esteem, to overcome the stigma associated with unemployment, poverty and homelessness and to address the many other problems faced by youth in poverty.

12.24 For youth who experience unemployment, there is evidence that they are more likely to experience low hourly wages, underemployment, repeated unemployment and increased periods of unemployment. They become part of the 'working poor' and may lose skills or fail to develop new skills. This captures young people, and ultimately their families, in a cycle of poverty.

12.25 The way out of poverty for young people is a successful transition from school to work. This requires the provision of adequate full-time employment, youth who have adequate skills and educational standards to find employment, and pathways so that the transition from school to work is successfully negotiated. For those who do not find employment there must be adequate income support to lift them out of poverty.

### **Youth labour force participation**

12.26 Chapter 7 provides a detailed examination of the relationship between education and poverty and improving access to education. The following discussion adds to that picture and provides details on youth labour force participation and in particular details of young people considered at risk of not making a successful transition from school to work.

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19 *Committee Hansard* 29.5.03, p.568 (Samaritans Foundation).

### *15 to 19 year olds*

12.27 In July 2003, around 70 per cent of teenagers (15-19 year olds) were in full-time education. Of the other 30 per cent, almost a quarter were in part-time education, with the remainder not participating in education.

12.28 While many teenagers studying full-time are not in the labour force (56 per cent in July 2003), others engage in part-time employment.<sup>20</sup>

12.29 In July 2003, teenagers had an unemployment rate of 13 per cent and a participation rate of 57 per cent, compared with an unemployment rate of 6 per cent for adults. However, the Australian Bureau of Statistics stated that teenagers have more transitions between labour force states than adults, reflecting the seasonal nature of combining work and study.<sup>21</sup>

12.30 The proportion of young people aged 15 to 19 years not in full-time education or full-time employment varies across the States and Territories. Victoria has a lower proportion than the national average while, Queensland, South Australia, the Northern Territory and Western Australia have high rates.<sup>22</sup> The Queensland Government noted that there were approximately 10,000 young Queenslanders aged 15-17 who are not in school, vocational education or substantial employment and who are at considerable risk of poverty.<sup>23</sup>

12.31 The Dusseldorp Skills Forum stated that those teenagers who are in part-time work, looking for work or are defined by the ABS as being 'not in the labour force' are 'likely to be experiencing difficulty in making a successful transition from secondary education, and face a higher level of risk in the labour market over the long-term than their counterparts who are engaged in education or training'.<sup>24</sup>

12.32 The Dusseldorp Skills Forum provided an analysis of what happened to young people who left school in 2001 which indicates those at risk of having a less successful transition from school to work:

- Year 10 completers – 29 per cent went to another educational provider, in most cases TAFE by May 2002; 49 per cent were unemployed, in part-time work or defined as not being in the labour market;

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20 ABS, *Australian Labour Market Statistics*, October 2003, p.10.

21 ABS, pp.11, 15.

22 ABS, *Labour Force Australia*, November 2003, p.21.

23 *Submission 129*, p.10 (Queensland Government).

24 Dusseldorp Skills Forum, *How Young People are Faring, Key Indicators 2003*, August 2003, pp.7-8.

- Year 11 completers – 36 per cent continued in education, mostly TAFE; 36 per cent were unemployed, in part-time work or defined as not being in the labour market; and
- Year 12 completers – 68 per cent continued in education, mostly higher education; 19 per cent were unemployed, in part-time work or defined as not being in the labour market.<sup>25</sup>

12.33 Those groups most at risk of failing to complete secondary schooling were:

- males – in 2003, 26 per cent of males left school early compared to 16 per cent of females;
- students from low socioeconomic backgrounds;
- students whose parents worked in unskilled manual positions (26 per cent of early leavers compared to 15 per cent of early leavers whose parents were from professional or managerial occupations);
- Indigenous youth;
- English speaking youth - those students who do not speak English at home are more likely to complete both year 12 and participate in tertiary education; and
- regional students.<sup>26</sup>

12.34 For many 15 to 19 year olds, TAFE is an alternative for staying in secondary school. However, in 2002 only 50 per cent of the 15 to 19 age group in the TAFE system successfully completed their studies.

12.35 For those who completed a full course in 2001, at May 2002 nearly a third were in part-time work, 15 per cent were unemployed and 12 per cent were not in the labour force (a total of 58 per cent). For those who only completed part of a course, a total of 70 per cent were in part-time work, unemployed or not in the labour force.<sup>27</sup>

12.36 For those teenagers in employment, they were employed predominantly in the retail sector (52 per cent), with the hospitality and manufacturing sectors employing 9 per cent and 7 per cent respectively.<sup>28</sup>

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25 Dusseldorp Skills Forum, p.11.

26 Muir, pp.6-7.

27 Dusseldorp Skills Forum, p.14.

28 *Submission* 169, Attachment p.7 (Mission Australia).

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## ***20 to 24 year olds***

12.37 Three-quarters of young adults in May 2003, had left full-time education. Compared with teenagers not in full-time education, young adults not in full-time education were more likely to be in part-time work, unemployed and not in the labour force.

12.38 The Dusseldorp Skills Forum stated that the high proportion of non-student young adults in part-time work, especially young women, reflected a fall in the availability of full-time jobs held by this age group. Full-time jobs held by non-students aged 20 to 24 years fell by 15.2 per cent between 1995 and 2003. The number of young people in part-time jobs in Australia is high compared to other OECD countries – Australia ranks third behind France and Sweden.<sup>29</sup>

12.39 As with teenagers, retail was also the largest employer of 20-24 year olds (22 per cent) followed by property and business services (13 per cent) and manufacturing (8 per cent).

## ***Unemployment rates***

12.40 Unemployment rates for young people declined between 1992 to 2002, with the rate for 15-19 year olds changing by 32 per cent and for 20-24 year olds by 39 per cent. However, groups facing higher unemployment rates can be identified with young people who leave school early being especially vulnerable to unemployment. Young Indigenous people also face very high rates of unemployment.

12.41 The duration of unemployment for young people is declining, in part due to the increase in part-time work. However, large numbers of young Australians remain unemployed for long periods. The average duration of unemployment for 15 to 19 year olds while looking for work in 2002 was 20.4 weeks (down from 30.9 weeks in 1992). 20 to 24 year olds were out of work for an average of 35.5 weeks in 2002 (down from 45 weeks in 1992).<sup>30</sup>

12.42 FaCS also commented that youth and young people have benefited from improving economic outcomes and that the teenage full-time unemployment rate has fallen. However, it stated that as most young people are not in the full-time labour market, this type of measure can be misleading and the experience of youth is better gauged by the teenage full-time unemployment to population ratio. This has more than halved from 10.1 per cent in July 1992 to 4.3 per cent in July 2002.<sup>31</sup>

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29 Dusseldorp Skills Forum, p.19.

30 *Submission* 169, Attachment, pp.8-9 (Mission Australia).

31 *Submission* 165, p.19 (FaCS).

12.43 The Business Council of Australia found that seven years after leaving school, approximately 7 per cent of those who completed year 12 were unemployed. But for early school leavers, unemployment is a likely prospect: after seven years, 21 per cent of young men who left school in year 9 were unemployed; and 59 per cent of young women who left in year 9 were also unemployed.<sup>32</sup>

12.44 Mission Australia drew attention to the dangers of continuing high levels of youth unemployment:

Our view is that the higher the youth unemployment and youth poverty, the more likely we are to have intergenerational poverty 20 and 30 years down the track. One of the reasons we have it at the moment is that we have not brought back our youth unemployment rates as quickly as some other economies over the last 15 or 20 years.<sup>33</sup>

### ***Access to full-time employment***

12.45 The general decline in the number of full-time jobs for the 15 to 24 year age group has made the transition from school to work more difficult. Over the period May 1995 to May 2003, the number of full-time jobs available to those aged 25 years and over increased by 12.1 per cent. During the same period, the number for teenagers declined by 6.9 per cent and for young adults by 15.2 per cent.<sup>34</sup>

12.46 The measure of the proportion of non-students in part-time work compared to other OECD countries shows that Australia, based on data for 2001, ranks second behind New Zealand out of 19 countries in the proportion of 20 to 24 year old males who are not in education and who are in part-time work.<sup>35</sup>

12.47 Some of the increase in part-time work in the 15 to 24 age group can be accounted for by increases in youth attending education institutions and working part-time. However, there is a large proportion of young people who are not combining part-time work with study. They would rather be working full-time. Mission Australia, for example, noted that young people are 'cobbling together several jobs to enable them to earn a liveable income'.<sup>36</sup> In addition, of the 24 per cent of males and 22 per cent of females in 2001 who were not studying, less than half had full-time

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32 *Submission 169*, Attachment 1, pp.8-9 (Mission Australia).

33 *Committee Hansard 26.5.03*, p.336 (Mission Australia).

34 Dusseldorp Skills Forum, p.20.

35 Dusseldorp Skills Forum, p.21.

36 *Submission 169*, p.11 (Mission Australia).

employment; 'thus for these youth part-time work was not accompanied by part-time education'.<sup>37</sup>

12.48 Anglicare NT also argued that wage rates and casual employment reduce the motivation for young people to take up work as 'young people see little value to themselves very often in terms of their lifestyle and have very limited understanding perhaps of the longer term benefits of going onto a youth wage or taking up casual employment and resist perhaps the challenge that that offers'. Employees may also be less willing to persevere with young people as they are an easily replaceable employee group. Anglicare NT stated that there needs to be better incentives to employ young people and ensure that they are not just replaced when they are moved over into something other than the youth wage.<sup>38</sup>

### ***Improving the transition from school to work***

12.49 For the past two decades, governments, both Commonwealth and State and Territory, have focussed on improving the transition from school to employment or further education and training. In 1991, the Finn Report recommended targets for increasing school and post-school participation rates by 2001, to place Australia among the best qualified of OECD countries:

- 95 per cent of 19 year olds participating or having completed year 12 or the equivalent level in vocational education and training; and
- 60 per cent of 22 year olds participating in or having completed education and training programs leading to the level of a trade certificate or higher to diploma or degree levels.<sup>39</sup>

The Dusseldorp Skills Forum noted that these targets have not been reached.<sup>40</sup>

12.50 In its report on skills, the Senate Employment, Workplace Relations and Education References Committee noted that there had been many initiatives to improve youth transition. Some of the initiatives included the MCEETYA declaration *Stepping Forward – Improving Pathways for All Young People*; VET in schools program; and, the availability in most jurisdictions of some transition programs and a focus on broadening the purpose of post-compulsory years of education and training for those in the 15 to 19 year old age group.<sup>41</sup>

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37 Muir, p.4.

38 *Committee Hansard* 29.7.03, p.1093 (Anglicare NT).

39 SSCEWRE, *Bridging the skills divide*, November 2003, p.153.

40 Dusseldorp Skills Forum, p.24.

41 SSCEWRE, November 2003, pp.155-56.

12.51 At the present time, the Commonwealth has in place a number of programs to enhance youth labour force participation. These include:

- Job Network, Job Placement, Employment and Training (JPET) program;
- work experience and development programs including Work for the Dole and Green Corps;
- assistance that empowers young people to make appropriate career choices, including funding to the Enterprise and Career Education Foundation (ECEP);
- the Career and Transition (CAT) Pilots; and
- support for specific groups, such as the Jobs, Education and Training (JET) program which includes assistance with child care.<sup>42</sup>

12.52 The Ministerial Council on Education, Employment, Training and Youth Affairs has established a taskforce on transition from school to work. The Taskforce provides advice on:

- implementation of VET in schools;
- arrangements in place for students undertaking part-time New Apprenticeships in order to raise the profile of this pathway in post-secondary education and training;
- impact of an increasing range of education and training pathways in senior secondary schooling on participation measures;
- initiatives to address student transition from school to post school options;
- vocational learning and enterprise education initiatives;
- quality career services;
- student support services based on local school community partnerships, especially for young people who have left school early; and
- development of attitudes, skills and disposition for life-long learning post-year 12.

12.53 The Senate Committee acknowledged the efforts of the Commonwealth and other jurisdictions to improve youth transitions. But the Committee indicated that there was a need to go further and adopt a more systematic and integrated approach if

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42 *Submission 165*, p.19 (FaCS).



further progress is to be made in increasing the number of young people completing 12 years of school or equivalent vocational education and training within the next five years.<sup>43</sup>

12.54 One pathway is New Apprenticeships. It provides a pathway into the full-time workforce for many young people, enabling them to combine work with formal training. New Apprenticeships are complemented by youth wage policies that allow employers to offer wages consistent with young people's lower skills and experience. Youth wages help to ensure the existence of entry-level jobs for young people. FaCS noted that over time, with increasing workplace experience, most young people will move on to more complex jobs with commensurate increases in remuneration. These wages, and the apparent welfare outcomes for youth, need to be judged on a longer term basis.<sup>44</sup>

12.55 The Committee's report also provides a detailed examination of New Apprenticeship. The Committee concluded that the system needs adjustment to 'better fit the new context provided by a highly competitive market place, the more diverse but less certain career choices available for young people, and the need to retain existing workers'.<sup>45</sup>

12.56 The Committee reported that there were concerns that the growth in New Apprenticeships was in industries such as retail at the expense of traditional trades. The Committee found that there was limited or negative training growth in the mechanical and engineering sectors. The Committee also commented on the treatment of trainees against traditional apprentices and noted that trainees have less protection under the law in the workplace. Existing workers may also be vulnerable, given they may be forced to take on a traineeship to keep employment so that the employer can pay them a reduced training wage and receive incentives.<sup>46</sup>

#### **Recommendation 47**

**12.57 That the Commonwealth provide funding for the expansion of access to the New Apprenticeships scheme, particularly in rural and regional areas.**

#### **Recommendation 48**

**12.58 That the Commonwealth work with industry and unions to maximise the take up of apprenticeships in areas where there are recognised skills shortages and to ensure that training is relevant to enterprises and apprentices themselves.**

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43 SSCEWRE, p.158.

44 *Submission* 165, p.19 (FaCS).

45 SSCEWRE, p.59.

46 SSCEWRE, pp.66-80.

## **Recommendation 49**

**12.59 That the Commonwealth undertake a review of New Apprenticeships to evaluate the effectiveness of policies; recruitment and selection; progression through the scheme; and employment outcomes after training.**

12.60 Many welfare and community organisations provide assistance to young people. One such program is Mission Australia's Creative Youth Initiatives based in Surry Hills, Sydney. Mission Australia indicated that the program had been a success in engaging truly disadvantaged young people: 'we had a young woman recently and, on her first day, the contract we made with her was that she would be alive the next day. Nothing more. She was so suicidal that it was nothing more than just coming into the service the next day alive. We have watched her progress through her work in the art program to a stage where she is smiling and she is part of that community.'<sup>47</sup>

### **Income support**

12.61 Youth Allowance is available to full-time students under 25 and unemployed people aged 16-20 years. It is income tested on both individual and parental income. Newstart Allowance is available to unemployed persons aged over 21 actively looking for work. Both have activity tests.

12.62 FaCS stated that 'Youth Allowance, which was introduced in July 1998, was never intended to be the sole measure of income support for young people, as no single source is expected to shoulder the whole responsibility for supporting young people'. Rather, income support schemes have been designed to encourage young people themselves and their families to help young people stay in education and training. Assistance is targeted towards young people in the post-compulsory school years from low-income backgrounds.

12.63 The Department also commented that Youth Allowance has flexible activity testing and incentives for young people to take up full-time education and training, such as a higher fortnightly income free area, access to the Student Income Bank and access to further assistance through a loan under the Student Financial Supplement Loan Scheme. Rent Assistance has also been extended to students who need to live away from home in order to undertake study. This particularly benefited students from rural and regional areas.<sup>48</sup>

12.64 Witnesses pointed to research which suggests that single unemployed people under the age of 21 live 32 per cent below the poverty line and single adult unemployed people over 21 live 21 per cent below the poverty line.<sup>49</sup> It was argued

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47 *Committee Hansard* 26.5.03, p.334 (Mission Australia).

48 *Submission* 165, pp.18,36 (FaCS).

49 *Committee Hansard* 2.5.03, p.249 (UTas).

that while the level of benefits payable to these groups is relatively low, the extent of disadvantage faced may be mitigated for some by the extent to which they can draw on family support for assistance. However, witnesses noted that many young people receive only limited assistance even when living at home because of the family's low income or family dysfunction.

12.65 It was also suggested that poverty among young people who are not living with their parents has increased in recent years.<sup>50</sup> The Brotherhood of St Laurence stated that 'the payments for young people, particularly those under 21, are so low that it is almost impossible for them to live and they rely on agencies like ours, emergency relief and a whole bunch of things just to get by'.<sup>51</sup> Melbourne Citymission stated that although the rate of payment has recently had a minimal increase, in line with CPI 'the payment remains inadequate to cover basic costs of housing and food, and falls well short of funding additional costs associated with study and transport. Failure to fund costs that are essential for engagement in education and training effectively excludes young people from social participation now and in the future.'<sup>52</sup>

12.66 Witnesses argued that allowances, including Newstart and Youth Allowances, should be increased up to the level of the pension.<sup>53</sup> ACOSS noted that raising allowance rates to pension levels 'would help some of the most financially disadvantaged groups of recipients – unemployed people, adult students, and independent young people – and reduce some of the worst income poverty'.<sup>54</sup>

12.67 Other witnesses called for a change to the definition of independence for young people for Youth Allowance. There are number of criteria for being considered independent including that you are 16 years and over and have been out of school for 18 months and have earned \$15,990 in an 18 month period before lodging a claim; or you are aged 15 to 24 and it is unreasonable for you to live at home. Witnesses indicated that the latter criteria poses some difficulties for young people:

With the youth allowance independent rate, you have to prove that you cannot live at home. In a socially dysfunctional family, it is very difficult to get a child to say, 'I just can't live at home,' when mum is saying, 'Yes, they can.' So it is considered that they are living at home but really they are

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50 ACOSS, 'Fairness and Flexibility: reform of workforce age social security payments in Australia', Paper 129, September 2003, p.45. See also *Submissions* 187, p.27 (SA Government); 69, p.11 (Victorian Government).

51 *Committee Hansard* 30.4.03, p.63 (BSL).

52 *Submission* 77, p.8 (Melbourne Citymission).

53 *Submissions* 98, p.17 (BSL); 163, p.133 (ACOSS); 46, p.21 (SACOSS).

54 ACOSS, p.51.

out the door. So, irrespective of the benefit they are receiving, what are they actually doing or how are they surviving? They are on the streets.<sup>55</sup>

12.68 If the person applying for youth allowance is not considered to be independent, a parental income test applies. The parental income test applies if parent's taxable income for 2003-03 is \$28,150 (as at 1 January 2004).

12.69 The AFHO recommended that the Commonwealth recognise the independent adult status of young people 18 years and over by assessing their entitlement to income support without reference whatsoever to their parents' income.<sup>56</sup>

### ***Impact of activity testing and breaching on youth***

12.70 The impact of activity testing and breaching of young people was also raised in evidence. The reason for breaches range from failure to report brief periods of work to missed appointments.

I did not get up and have a shower and eat and go to an appointment. Oh yeah – I don't have a bed or a shower or money for the tram.<sup>57</sup>

12.71 Fairfield Migrant Resource Centre stated that almost half of the Centrelink breaches were being imposed on people under 25 and commented that 'the amount available on Youth Allowance is seen as not worth disputing, and the complaints process is too difficult to access, and so many young people in Fairfield just give up on income support, and rely on family and friends to survive'.<sup>58</sup>

12.72 Breaching leads to compounding negative outcomes ranging from the loss of other concessions, for example, in NSW travel concession eligibility is lost once a breach is imposed, to increasing risk of further breaching and penalties:

Each time a young person loses income their ability to meet basic living expenses and look for work decreases, which means that they are vulnerable to further breaches and penalties.<sup>59</sup>

12.73 Young people who are breached may also seek advance payments from Centrelink leading to large outstanding debts. Witnesses stated that this is a well-

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55 *Committee Hansard* 1.5.03, p.165 (Laverton Community Centre and Neighbourhood House); see also *Committee Hansard* 4.8.03, p.1223 (DRS).

56 *Submission* 57, p.19 (AFHO).

57 *Submission* 77, p.9 (Melbourne Citymission).

58 *Submission* 62, p.4 (Fairfield Migrant Resource Centre).

59 Welfare Rights Centre, quoted in *Submission* 77, p.9 (Melbourne Citymission).

documented trap of the Youth Allowance system.<sup>60</sup> This means that benefits are reduced over a long period to recoup a crisis payment, thereby pushing many young people into despair and depression as they face increasing debt, increasingly unstable housing situations and even homelessness:

I have talked to young people who were at the edge of committing suicide. I have talked to young people who have actually acquired disabilities as a result of breaching because they were put out on the streets. If you have eight weeks with no income, what are you going to do? Where are you going to live? What do you do if you have no income and you still have to live? Some way you get the stuff and some way you get through, and that is what is happening every day, every week, every fortnight, day in, day out, for people who live on income support...<sup>61</sup>

12.74 Melbourne Citymission commented that the social security system identifies young people at risk of poverty 'but frequently pushes those most at risk into cycles of debt and housing instability through inappropriate use of assessment processes and mutual obligation principles' and expressed concern that it was proposed to expand mutual obligation requirements under the *Australians Working Together* package.<sup>62</sup>

### ***Youth and Centrelink***

12.75 Witnesses also drew attention to other problems that young people have when dealing with Centrelink. For example, Melbourne Citymission stated that it experienced problems with Centrelink's use of the Job Seeker Classification Instrument (JSCI) for people who are homeless or at risk of homelessness. Problems arise because of under reporting of personal difficulties by young people who feel they need to 'do well' in the interview. Further problems with the JSCI reflect the insufficient weight that this tool gives to homelessness and associated barriers to employment. Melbourne Citymission suggested that allowing input from specialist agencies and community organisations would improve assessments leading to more appropriate targeting of young people.<sup>63</sup>

12.76 Anglicare NT indicated that it had experienced difficulties with Centrelink activity agreements that young people entered into:

The usefulness and viability of activity agreements to seek work is in question. Young people tend to agree, particularly in the face of officialdom, to poorly understood plans that have limited meaning in their gaining useful

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60 *Submission 62*, p.4 (Fairfield Migrant Resource Centre); *Committee Hansard 29.7.03*, p.1093 (Anglicare NT).

61 *Committee Hansard 29.5.03*, p.22 (Australian National Organisation of the Unemployed).

62 *Submission 77*, pp.8,9 (Melbourne Citymission).

63 *Submission 77*, p.9 (Melbourne Citymission).

employment. More collaboration is needed in that process so that more realistic plans can be developed that are meaningful to the young person for their participation.<sup>64</sup>

12.77 Some progress has been made with specifically targeting young people. Anglicare NT reported that it was undertaking a small pilot program in collaboration with its youth program and Centrelink to address problems with activity agreements.<sup>65</sup> Melbourne Citymission noted efforts by Centrelink to trial new forms of service provision through the Centrelink Community Support Unit (CSU). The Melbourne Inner City Centrelink CSU works across a number of inner city suburbs with young people who are disadvantaged, homeless or at risk of homelessness. Centrelink workers recognise a number of areas of concern specific to this group and have adopted a flexible approach to providing a specialist, co-ordinated service that is responsive to the needs of young people accessing a range of co-located youth services at Melbourne Citymission's Frontyard site.<sup>66</sup>

12.78 Melbourne Citymission concluded 'the current approach to income support for young people has proven itself to be spectacularly unsuccessful and needs serious reconsideration in light of what we know about the inadequacy of labour market pathways for young people'.<sup>67</sup> Issues with Centrelink are also discussed in Chapter 17.

### ***UK Gateway to the New Deal program***

12.79 In the United Kingdom, the New Deal program was developed to help the long-term unemployed back to work. The New Deal for 18 to 24 year olds was introduced in 1998. The New Deal gives four options for young people aged 18 to 24 who have been unemployed for six months or more and who are claiming Jobseekers allowance. All participants begin with an intensive period of counselling, advice and guidance – the 'Gateway' to the New Deal. This includes intensive help from the Employment Service, including help with finding employment. Each young person will have both an individual Employment Service adviser and opportunities to take advantage of independent careers advice.

12.80 During the Gateway, the Employment Service aims to help young people find jobs and move off welfare into work. Those young people who remain unemployed have the option to pursue a place in one of four New Deal options including a job with an employer or a placement with the Government's Environment Taskforce.<sup>68</sup>

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64 *Committee Hansard* 29.7.03, p.1093 (Anglicare NT).

65 *Committee Hansard* 29.7.03, p.1093 (Anglicare NT).

66 *Submission* 77, p.10 (Melbourne Citymission).

67 *Submission* 77, p.11 (Melbourne Citymission).

68 [www.youthinformation.com](http://www.youthinformation.com)

12.81 The Committee considers that intensive measures for unemployed young people are required to move then successfully into full-time employment. There is a need for a single, coordinated service to assist the young unemployed.

### **Recommendation 50**

**12.82 That the Commonwealth initiate an employment assistance program, based on the United Kingdom Gateway program, to provide youth with intensive assistance and an agency providing comprehensive support for youth pathways.**

### **Conclusion**

12.83 As has been shown, education plays a fundamental role in determining whether a young person is at risk of unemployment and poverty. Those who fail to finish year 12 are at the highest risk of poverty, they have lower participation rates, and higher unemployment rates. The OECD Economic Survey of Australia in 2003 made the following comment:

International comparisons of school-to-work transition outcomes for young people also suggest that, while the employment rates for young adults are above the OECD average, and a relatively high proportion of young adults obtain tertiary qualifications, teenage unemployment and early school leaving rates in Australia exceed the area-wide average. Moreover, the employment disadvantage of poorly qualified school leavers, compared to their educated counterparts, is somewhat above the OECD average. Increasing skill demands in Australia and other OECD countries have made qualifications at the upper secondary level of education (or an apprenticeship qualification) a necessary condition for the employability of young people.<sup>69</sup>

12.84 There has been progress in improving the qualifications and employment prospects of school leavers. However, there is considerable scope for further improvement. To do so is of fundamental importance not only to individuals within society but to society as a whole. There is also a large economic gain to be reaped with the estimates that the economy stands to gain a long-term increase in GDP of 0.28 per cent or an additional \$1.8 billion through a 10 per cent lift in the completion rate of Australian youth.<sup>70</sup> Recommendations in Chapter 7 address early school leavers.

12.85 The Committee considers that further emphasis needs to be placed on literacy and numeracy skill and improving school completion rates. This will provide a protection against poverty and unemployment. In addition, there is a need to ensure

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69 OECD, *Economic Survey Australia 2003*, Paris 2003, p.91 quoted in Dusseldorp Skills Forum, p.26.

70 Applied Economics, *Realising Australia's Commitment to Young People, DSF, 2002* quoted in Dusseldorp Skills Forum, p.26.

that full-time entry-level work opportunities and appropriate combinations of training and work are available for Australian youth.

### **Recommendation 51**

**12.86 That the Commonwealth and State Governments implement strategies to improve access to employment opportunities for young unemployed people, in particular those young people living in rural and remote areas.**

12.87 Many community organisations provide assistance to young people at risk of leaving school early, young people who do not have the skills to enter the job market and young people who are at risk of homeless or are homeless. Evidence received during the inquiry point to the considerable success that these programs have in assisting young people to gain employment and escape poverty.

### **Recommendation 52**

**12.88 That the Commonwealth provide additional funding to community organisations to enable them to provide education, training and housing assistance packages to young homeless people.**

12.89 The Committee heard evidence that current forms of income support are inappropriate for many young people and lead to further hardship and disadvantage. The Committee considers that income support at the present time does not adequately take into the account the special needs of young people and the particular difficulties they face in the labour market.

### **Recommendation 53**

**12.90 That the Commonwealth progressively lower the age of independence test for Youth Allowance from 25 to 21 years.**

### **Recommendation 54**

**12.91 That the Commonwealth review its income support programs for young people to fully recognise changes in the Australian labour market.**

12.92 The Committee heard evidence that Centrelink is seeking to improve its services to young people. The Committee considers that it is imperative the young people are able to access Centrelink services that are appropriate to their needs and that Centrelink should continue to explore new ways to engage young people, particularly those who are homeless.

### **Recommendation 55**

**12.93 That Centrelink expand forms of service delivery which are responsive to the needs of young people, particularly young homeless people.**



## Students and poverty

12.94 While it is acknowledged that education is an important pathway out of poverty, many young people cannot access education or cannot complete their education because of the lack of financial resources. Those continuing with tertiary education often do so in the face of poverty which is exacerbated by low levels of income support, high costs of living including accommodation and high costs of equipment and books.

12.95 Students have a significantly lower income when compared to the general Australian population. In 2000, the mean annual income for students was \$12,513. This amount is the total sum of all sources of income, including paid employment, student income support payments, other Centrelink support payments (for example Family Allowance) and other forms of regular and irregular payments (for example allowance from parents). This was approximately a third of the average Australian income of \$33,800 in 2000.<sup>71</sup>

12.96 The MUSU commented that total annual income for students is even lower when considered in terms of a median rather than a mean income. Most students earned approximately \$8,190 per annum in 2000. A study by the Australian Vice Chancellors Committee found that on average student budgets are deficient by around 21 per cent, with an average of 42 per cent for full-time students.

### *Income support for students*

12.97 It was argued that the large levels of poverty amongst the student body are due in part to the inadequate levels of income support payments. University students studying full-time are eligible for one of three income support payments: Youth Allowance (for those in full-time study under the age of 25 years), Austudy (full-time students over 25 years) or ABSTUDY. These payments were designed to facilitate access to the education system for students who are unable to provide their own financial support. However, it was argued that payments are currently at such low levels and have such stringent restrictions on eligibility that they effectively keep people in poverty while they are studying.<sup>72</sup>

Education is also expensive. Austudy is based on assets – if parents are asset rich/income poor there are limited higher education opportunities. Kids need to go to Burnie for higher education – the cost for accommodation and travel is a real strain.

Just Tasmania research participant, Smithton, 1999

You should get more money if you're on Austudy because you've got higher expenses. It's especially hard on people who are on low incomes before they

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71 *Submission 152*, p.26 (MUSU).

72 *Submission 130*, p.3 (NUS).

start study – they're particularly disadvantaged because they haven't got any savings to back themselves up.

Just Tasmania research participant, Huon Valley, 1999<sup>73</sup>

12.98 ACOSS research indicated that in July 2002 those receiving Youth Allowance and Austudy payments are well below the poverty line, with a single adult student receiving Austudy being 39 per cent below the poverty line and those on Youth Allowance 20 per cent below.<sup>74</sup>

12.99 Student bodies noted that the payment for Austudy was \$82 per week less than the payment received by unemployed people due to a lower benefit payment and that Austudy recipients cannot receive Rent Assistance. Rent Assistance is available to those receiving Youth Allowance but only if they are considered 'independent'.<sup>75</sup>

12.100 A further anomaly exists between Youth Allowance and Newstart Allowance for those over the age of 21, as the Newstart Allowance is paid at a higher rate. It was argued that this gap is a potential disincentive to study.<sup>76</sup> ACOSS argued that as a first step Austudy rates should be aligned with those of Newstart Allowance and the single adult rate of Newstart Allowance and the away from home rates of Youth Allowance should be increased.<sup>77</sup>

12.101 ABSTUDY is available to Indigenous students. The National Union of Students (NUS) stated that 'policy changes introduced by the Coalition Government have worked against the provision of adequate income support for students and have impacted severely on Indigenous students'. The changes have resulted in fewer students receiving ABSTUDY and many receiving reduced payments. NUS commented that as a consequence, Indigenous enrolments fell from 8367 in 1999 to 7342 in 2002, a fall of 18 per cent and a reversal of a decade of steadily increasing enrolments.<sup>78</sup>

12.102 It was also argued that two of the eligibility criteria contribute to student poverty: the age of independence; and the parental means test. Many witnesses commented that in most areas of life a person is thought to be an adult at 18 years.

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73 *Submission 32*, p.7 (Tasmanian Catholic Justice and Peace Commission).

74 ACOSS media release, *Over 400,000 unemployed & students move further below the poverty-line*, 23.7.02.

75 *Submission 147*, p.2 (SRC – South Cross University).

76 *Submission 103*, p.9 (USASA).

77 ACOSS, p.52.

78 *Submission 130*, p.4 (NUS); see also *Submission 64*, p.9 (UTSSA).

However, for income support, young people are considered to be dependent on their parents until the age of 25 unless they can prove that they are independent.

12.103 There are strict definitions of independence under the Youth Allowance regulations. Students who do not meet the criteria for independence, are deemed to be dependent on their immediate family, irrespective of whether they receive financial support or not. It was argued that many students cease receiving financial assistance from parents well before they turn 25, even if they live in the family home.<sup>79</sup> MUSU stated:

...even if students are staying at home, it is not necessarily the case that their parents will support them. Some of the students who are working the most—who are struggling the most—are actually students from middle-class backgrounds who are living at home but whose parents are not supporting them...Therefore, the age of 25, being deemed the age of independence, is unrealistic insofar as students are supporting themselves from a much earlier age. To assume that, at the age of 25, they have been supported by their parents for the previous six or seven years is somewhat farcical. It is simply not the case.<sup>80</sup>

12.104 If a student is deemed to be dependent, the parental or family income is means tested in assessing the student's entitlement to assistance. The parental means test was seen to be poorly targeted. Payments are reduced after the parental income threshold of \$28,150 per annum. This was considered to be too low and excluded many students from income support yet the parents or partners of these students did not earn enough to support them.

12.105 The USASA also noted that the parental income test has not kept pace with changes in average weekly earning. When the Tertiary Education Assistance Scheme (TEAS) was introduced in the mid 1970s, around 70 per cent of full-time students were in receipt of some government assistance. By 1982, this had declined to 40 per cent. The level of parent income allowed before allowances were reduced had declined from 100 per cent of AWE in 1974 to 63 per cent in 2003.<sup>81</sup> One student commented on the impact of the stringent parental income test:

I am not eligible for Austudy because the government says my dad earns too much. I live with him and his second family and three half sisters who are much younger than me. I can't afford to live on my own and feel a real burden on my father. I don't like asking him for money because he always seems to be worried about making ends meet.<sup>82</sup>

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79 See for example, *Submission 103*, p.12 (USASA).

80 *Committee Hansard 1.5.03*, p.118 (MUSU).

81 *Submission 103*, pp.14-15 (USASA).

82 *Submission 130*, p.7 (NUS).

12.106 The NUS concluded 'students financial dependence on their parents, forced on them through the ridiculous age of independence and harsh parental means testing arrangements of the income support system, places the burden of paying for education on those families which are least able to afford it'.<sup>83</sup>

12.107 Many students seek to be classified as independent by earning the required amount of income for the independence test. This can place a huge burden on students:

On a personal level, for me to access youth allowance, because my father was just over the \$27,400...I had to work every Thursday and Friday night, all day Saturday and all day Sunday, plus I had another job which would interfere during the week. I failed subjects that year. I earned the money. I was able to access the independent rate for youth allowance, but I failed.<sup>84</sup>

### **Recommendation 56**

**12.108 That the parental income test for Youth Allowance be increased and maintained as a percentage of Average Weekly Earnings.**

#### ***Work commitments***

12.109 The majority of students undertake part-time work to supplement their income. A study by the Department of Education, Science and Training indicated that on average, full-time students are working 15 hours a week. 40 per cent work more than 16 hours per week, while 18 per cent work in excess of 21 hours per week. Two-thirds of the students surveyed said they had to work just to meet their basic needs. The number of first year students reporting that employment was their main source of income increased over the decade: 26 per cent in 1994 and 37 per cent 1999.<sup>85</sup>

12.110 While there may be some benefits in undertaking work while studying, such as gaining practical experience in the field and the opportunity to establish networks, excessive hours of work leave students with little time to study or participate in social activities. For example, it was estimated that one in ten students who work part-time frequently miss classes because of their job, and that work adversely affects the study a great deal for two in every ten students in paid employment.<sup>86</sup> For students enrolled in courses with high contact hours, it is especially difficult to combine employment

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83 *Submission 130*, p.7 (NUS).

84 *Committee Hansard 1.5.03*, p.126 (NUS).

85 *Submission 130*, pp.7-8 (NUS).

86 *Submission 152*, p.24 (MUSU).

and study. Medical and veterinary science students have up to 40 and 50 hours per week in contact hours alone.<sup>87</sup>

The only problem I find is a diminishing study ethic due to work related tiredness. You feel like you have no other choice but to work so you can pay for the things you need. It really does have an impact on your study/university commitments.<sup>88</sup>

12.111 Students are also limited in the amount that they may earn before penalties are imposed. For every dollar earned between \$118 and \$156, student payments are decreased by 50 cents and then by 70 cents in every dollar earned over \$158 per week. The MUSU stated that 'this system of institutionalized penalty is set at an even higher rate than the current taxation rate for the wealthiest elite in Australian society!'.<sup>89</sup> UTS Student Association argued that this forces a number of students into black market areas of work where they receive reduced wages for non-declared income so as not to affect their benefit.<sup>90</sup>

12.112 Finding a suitable job may also cause problems for students. Students tend to occupy casual, low-paid positions. Over 60 per cent of students earn less than \$15 per hour, 10 per cent earn \$5 or less per hour and only 8 per cent earn more than \$26 per hour.<sup>91</sup>

12.113 While casual employment allows students flexibility to fulfil their coursework and study requirements, casual labour is often unstable and unreliable. There is no permanent and ongoing employment contract and casuals are not entitled to employment benefits such as sick leave and holiday leave. Students undertaking casual work often find it difficult to plan study activities and are uncertain about their level of finances from week to week. There is also pressure to work more hours to compensate for the lack of employment benefits and lack of employment security.

12.114 The NUS commented:

The fact that students have to work such long hours to survive while trying to further their education has implications for the whole sector, and the value that students can gain from their education. The Australian Vice Chancellor's Committee expressed this view in their submission to the Senate Committee into Higher Education:

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87 *Committee Hansard* 1.5.03, p.117 (MUSU).

88 *Submission* 127, p.3 (SAUT)

89 *Submission* 152, p.24 (MUSU).

90 *Submission* 64, p.3 (UTSSA)

91 *Submission* 152, p.26 (MUSU).

there is growing concern that students' work obligations in part time, and sometimes full time, employment prevents them from gaining optimum value from their studies. The effort of holding down a number of jobs hinders students from attending all their classes or having sufficient time for out of class study.<sup>92</sup>

12.115 The Students Union of the University of South Australia concluded:

There can be no doubt that the quality of students' educational experience is diminished by long hours of employment, student stress and tiredness. It also raises questions about the long term social impact on graduates who have not been able to adequately engage with their studies due to the pressures of low finances and long hours of employment.<sup>93</sup>

***Cost of living***

12.116 The rising cost of living has also had a significant impact on student incomes. While there have been increases in costs of food, utilities and travel, it is accommodation and the cost of books and equipment which has had the most severe impact.

12.117 Rents in inner city areas have increased substantially. This has created great difficulties in accessing accommodation near to educational institutions for many students. While moving to an outer suburb may appear to be an option, the increased costs of travel and the impacts on time for work and study make it untenable. In Sydney for example, students typically spend two-thirds of their income on rent.<sup>94</sup> In Melbourne, a two-bedroom apartment that could be rented for \$154 a week in 1981, cost \$250 in 1999. At the University of Canberra, some 200 students were unable to find on-campus accommodation or rental accommodation in the community in 2003.

12.118 The already severe accommodation problems faced by students are even more difficult for Austudy recipients as they do not receive Rent Assistance. Maximum Rent Assistance of \$42 per week is only available to independent students on Youth Allowance or unemployed young people on Newstart. Shelter NSW provided the following case study as an example:

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92 *Submission* 130, p.8 (NUS).

93 *Submission* 103, p.6 (USASA).

94 *Submission* 147, p.3 (SRC – South Cross University).

### **Rent Assistance and the impact on students receiving Austudy – Wendy's story**

#### Case Study 2: Austudy is not enough

Wendy is 30. She has worked in retail and hospitality for many years. Her parents are elderly pensioners.

In 2002, Wendy enrolled in a full time graphic design course at Enmore TAFE. She applied for Austudy and scaled down her hours to 6 hours retail work on a Saturday, which paid \$100 a week. This meant her weekly income was about \$248 a week.

Wendy was renting a room in a share house within walking distance of the TAFE. Her rent was \$130 a week.

After paying her rent, utilities, plus buying materials for the course, Wendy estimates that some weeks she may only have \$20 left for food.

Wendy was doing two hours of homework a night, and working Saturdays. After 6 weeks she found it too stressful to juggle the demands of the course, and pay for rent, food, and also keep working on the weekends. She dropped out.

Wendy went off Austudy and returned to working in retail at a different art supplies shop and is now employed as a casual.

Wendy had this to say: "Austudy should definitely have Rent Assistance - if the dole has it, then Austudy should have it too. As a person trying to better myself - because I don't want to work as a casual in retail for the rest of my life where I live from week to week and the only way of doing that is educating myself and getting the qualifications – I find it hard to because Austudy is less than the dole. You also have more expenses when you are studying. The dole is more than Austudy!"

*Submission 102, p.16 (Shelter NSW).*

### **Recommendation 57**

#### **12.119 That Rent Assistance be extended to those receiving Austudy payments.**

12.120 Students under 25 years of age who are not counted as independent and are unable to get Youth Allowance because of their parents income, may have no other choice than to stay at home. If their home is a great distance from their tertiary institution there is the added burden of travel time and costs. Students in this situation also reported concerns about family and household conflicts.<sup>95</sup>

12.121 The cost of books and equipment also account for a significant proportion of student budgets. Course readers are priced up to \$30 each and textbooks average around \$80 each. The Vice Chancellors study found that students pay around 10 per cent of their annual income on course related costs, or an average of \$1231 a year,

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95 *Submission 130, p.9 (NUS).*

with textbooks making up about a quarter of these costs.<sup>96</sup> NUS commented that 'this is a particularly large burden and something that is not taken into account with government payments to students'.<sup>97</sup>

### ***Student debt***

12.122 Of particular concern was the long term impact of debt on students. A survey by the Australian Vice Chancellors Committee found that one in every ten students obtains a loan to be able to continue studying with the average amount borrowed being \$4000. This is a substantial amount in the context of student incomes.<sup>98</sup> Students relying on income support are about three times as likely to take out a loan to continue their studies. The NUS noted that students from equity groups are also more likely to take out a loan, including students with a disability, people who move to study, those from low socioeconomic backgrounds and women with children or Indigenous women. The Union concluded that 'thus the most marginalized students are more likely to start their working lives with sizeable debts from their study'.<sup>99</sup>

12.123 The NUS was particularly concerned about the use of the Supplement Loan. Students can access extra financial support from the government by trading up to half of their income support as a loan. In effect, students can borrow up to \$140 a week to gain an extra \$70 in income support payments. The Union stated that 'supplement loans prey on the fact that government income support is so far below the poverty line, ensuring that students who are reliant on income support graduate with an even greater level of indebtedness'. The NUS recommended that Supplement Loans be abolished and student income support increased.

12.124 Indebtedness is also increased through HECS fees. Students can accumulate a HECS debt of between \$3680 and \$6136 for every year that they study and most graduate with a debt of between \$11,000 and \$30,000.

Anyone who gets a clear run through life and comes out can earn at least 40 grand and at that rate your average degree will take 12 years to pay off anyway. Women who have children, someone who can only study part time, someone who has a disability or someone who has had a car accident and does not get going for a few years will never get a chance to pay it off.<sup>100</sup>

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96 *Submission 152*, p.18 (MUSU).

97 *Committee Hansard 1.5.03*, p.115 (NUS).

98 *Submission 103*, p.4 (USASA).

99 *Submission 130*, p.11 (NUS).

100 *Committee Hansard 28.7.03*, p.1077 (Ms J Carter).



12.125 The Council of Australian Postgraduate Associations has argued that HECS can have long-term negative economic impacts both on individuals and on society. The Association reported that the level of graduate debt, and experience of the higher levels of debt in New Zealand, has influenced the following trends.

- students and recent graduates will be more likely to live with their parents longer, and will find it more difficult to save deposits and make mortgage payments, affecting levels of home ownership;
- evidence from New Zealand shows that indebted students find it more difficult to obtain bank loans for housing and other needs;
- professionals such as doctors, lawyers, dentists and vets are compelled to increase their fees to pay for HECS repayments; and
- graduates delay having children, contributing to the fact that in 2001 Australia's fertility reached a record low.<sup>101</sup>

12.126 The NUS noted that women find it particularly hard to pay back their HECS debt throughout their working lives. NUS commented that with HECS increasing, 'it is quite likely that almost two in every five women will never repay their HECS debt after graduation, and this is particularly concerning'.<sup>102</sup>

12.127 It was argued that in order to minimise poverty and inequality it is imperative that student debt not be worsened by further increases and deregulation of the HECS fee.<sup>103</sup> NUS concluded:

These two combined effects are going to lock students into a life of poverty while they are at university and seriously affect the life choices of students once they graduate. Things like buying a home, starting a family and building their savings are already being affected, with students having to carry HECS debts of \$20,000, \$30,000 and even higher. If HECS fees are going to increase again, the life choices of more and more students are going to be affected. Our economy, our society and our culture are all going to be dramatically affected by having so much of our young Australians' money locked away in a debt to society.<sup>104</sup>

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101 *Submission 147*, p.3 (SRC – Southern Cross University).

102 *Committee Hansard 1.5.03*, p.115 (NUS).

103 *Submission 147*, p.4 (SRC – South Cross University).

104 *Committee Hansard 1.5.03*, p.115 (NUS).

A young woman I spoke to just two days ago needs to do extra work to increase her career opportunities. She is paying \$140 a fortnight to just do those extra modules, yet we understand that the federal government, at the higher education end, will give discretion to universities to charge another 25 per cent on the basis of HECS when we already have something that is unaffordable and working-class people are dropping out. We are then relying on those who can afford to pay and giving them a lower entry level point if they have the dollars to get in to university.

*Committee Hansard 30.4.03, p.101 (ACTU).*

12.128 The Womens Action Alliance stated 'there needs to be an allowance in the payment threshold for HECS to take into account the number of dependants upon that income. We do it with other forms of income support, to a large extent. It is totally unreasonable that these families should be forced into repaying HECS at this level'.<sup>105</sup>

### ***Impact of poverty on students***

12.129 Witnesses to the inquiry refuted the notion that student poverty is somehow a 'rite of passage'. It was argued that many students are in dire financial circumstances, while for others the idea of struggling through years of higher education below the poverty line is a deterrent to further education. Student poverty is a serious social issue that needs to be recognised and addressed.

12.130 Economic hardship has a major impact on the day-to-day lives of students and is seen in:

- poor academic performance as financial concerns and the need for work distract students from their studies;
- regular absence from lectures and tutorials due to the pressure of work or the unaffordability of childcare;
- withdrawal from study;
- inability to purchase essentials such as textbooks and equipment;
- inability to afford adequate or suitable accommodation;
- students not eating adequately or going without food,
- being unable to afford heating;
- selling essential items to pay bills;

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105 *Committee Hansard 27.5.03, p.423 (Womans Action Alliance).*

- experiencing severe stress and poor psychological health; and
- inability to afford medical and dental care.<sup>106</sup>

12.131 The Committee also heard evidence that in extreme cases, students in dire poverty have resorted to scrounging for food from waste bins, sleeping in cars because of lack of accommodation and being involved in illegal activities.<sup>107</sup> Withdrawal from study is the most significant longer term impact as not completing study will limit future employment options, and possibly extend poverty as a student into adult life.

12.132 The Salvation Army considered that 'the reticence of government in providing adequate funding for students is perplexing given that tertiary education is actively encouraged and promoted by government'.<sup>108</sup>:

The other key issue is the low amount of student subsidies—and students become dead averse to the prospect of living in absolute poverty while at university—combined with the fact of coming out of university with a substantially large student debt. Many students, especially those from rural and regional areas, those from Indigenous areas and those simply from a working-class background are turning away from university, and that is a particularly frightening fact. In this report, NUS focuses very clearly on a number of student groups that are most heavily affected, including women, queer students and students from Indigenous backgrounds. These three groups are groups that suffer substantially. Women are a very good example because we all know, I am sure, that women find it particularly hard to pay back their HECS debt throughout their working lives. With HECS increasing, it is quite likely that almost two in every five women will never repay their HECS debt after graduation, and this is particularly concerning.

*Committee Hansard* 1.5.03, pp.114-15 (NUS).

### ***Conclusion***

12.133 It has been argued that students experience low incomes for only a small part of their lives. However, the Committee is concerned that there is evidence that poverty and debt is impacting on student's ability to continue with their studies and is acting as a deterrent to some disadvantaged groups to enter tertiary institutions.

12.134 The Committee considers that, as tertiary education is one of the most important protections from poverty for the individual and will establish a workforce that is able to meet the challenges of the future, it is undesirable for any young person to be excluded from a tertiary education because of the impact of student poverty.

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106 *Submissions* 103, p.3 (USASA); 152, p.11 (MUSU).

107 *Submission* 103, p.7 (USASA).

108 *Submission* 135, p.9 (Salvation Army Australia Eastern Territory).

12.135 The Committee considers that there should be greater targeting of assistance programs to ensure that disadvantaged groups have equity in access to tertiary education. Further, the Committee considers that HECS should not act as a financial barrier to those from disadvantaged backgrounds seeking a tertiary qualification.

## CHAPTER 13

### INDIGENOUS AUSTRALIANS

*It is etched on the collective psyche of Aboriginal and Torres Strait Islander people today that social and economic exclusion was arbitrarily enforced upon us. The ramifications of this exclusion has set the platform for the tragic circumstances experienced by [Indigenous] people in Australia. Some continue to live in absolute forms of poverty.<sup>1</sup>*

13.1 Indigenous Australians remain the most disadvantaged and marginalised group in Australia. On all the standard indicators of poverty and disadvantage, Indigenous people emerge as the most socially and economically deprived.

Although poverty in Australia is evident among all ethnic groups, it is Indigenous Australians who appear most profoundly affected by poverty. Research has shown, over the past thirty years since the Henderson Inquiry into poverty, that Indigenous Australians are significantly worse off than non-Indigenous Australians, according to all social indicators...Not only is poverty deeply entrenched, the causes are complex...despite government policies directed towards achieving economic equality for Indigenous Australians, there has been little improvement to their relative socioeconomic status, according to standard social indicators.<sup>2</sup>

13.2 This chapter discusses the nature and extent of poverty among Indigenous people and strategies to improve the social and economic outcomes for Indigenous Australians.

#### **Measuring Indigenous poverty**

13.3 There are significant difficulties in defining and measuring Indigenous poverty. There is both a lack of data and the available data is often unreliable. In addition, measures of poverty tend to be culturally-specific as well as subjective.<sup>3</sup>

13.4 In the case of income distribution statistics several issues have been highlighted. One is the inappropriate use of the nuclear family as the income unit in which income is assumed to be shared – Aboriginal culture places considerable emphasis on the extended rather than the nuclear family and there are strong cultural obligations to share resources. In addition, the non-material poverty, in terms of dispossession from the land, and absolute material deprivation suffered by Aboriginal people suggest a

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1 *Committee Hansard* 6.8.03, p.1227 (ATSIC).

2 *Submission* 255, p.1 (CAEPR).

3 *Submissions* 244, pp.8-9 (ATSIC); 255, pp.1-4 (CAEPR).

different order of poverty from that experienced by the rest of the population. One study noted that given the depth and multi-faceted nature of Aboriginal poverty it was questionable whether comparative studies of income poverty between Indigenous and non-Indigenous Australians are relevant.<sup>4</sup>

### **Nature and extent of Indigenous poverty and disadvantage**

13.5 Submissions to this inquiry and numerous reports and studies have outlined the nature and extent of poverty among Indigenous Australians.<sup>5</sup> The Aboriginal and Torres Strait Islander Commission (ATSIC) also noted that whereas commentators have indicated that most poverty in Australia is relative poverty, some Indigenous communities also face absolute poverty which is reflected in high infant mortality rates and severe malnutrition.<sup>6</sup> ATSIC stated that the poverty among Indigenous can be illustrated through a number of key points.

- Most indicators of poverty and related disadvantage show that Indigenous people are between two and three times worse off than non-Indigenous people in Australia.
- About 30 per cent of Indigenous households are in income poverty, which indicates that over 120,000 Indigenous people are living below the poverty line.
- Indigenous unemployment rates, which are affected by Community Development Employment Projects (CDEP) participation, are well over twice that of non-Indigenous people in cities and regional centres and are much higher in remote areas.
- Being fully engaged in either employment or education decreases the likelihood of poverty. Indigenous people in full-time employment or education is around 30 per cent of each age cohort, compared to at least 50 per cent of non-Indigenous people in each age cohort.
  - The proportion of Indigenous teenagers (aged 15 to 19 years) not fully engaged in work or education is three times that of non-Indigenous people.

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4 Taylor J, 'Aboriginal Australians and Poverty: Issues of Measurement', *Family Matters*, No.35, August 1993, pp.46-47. See also Ross R & Whiteford P, 'Poverty in 1986: Aboriginal Families with Children', *Australian Journal of Social Issues*, Vol.27, No.2, May 1992, pp.92-111.

5 *Submissions* 163, p.11 (ACOSS); 88, pp.4-6 (COALS); 255, pp.1-9 (CAEPR); 24 (Aboriginal Corporation for Homeless & Rehabilitation Community Services).

6 *Submission* 244, p.31 (ATSIC).

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- Approximately 70 per cent of young Indigenous adults (aged 20-24 years), are not fully engaged with work or education.
  - Approximately 50 per cent of Indigenous adults are reliant on some form of welfare payment and for young people (aged 15 to 24 years) the proportion is only slightly lower.
  - As sole parents are vulnerable to poverty, it is of concern that a relatively high proportion of young Indigenous are currently receiving the single Parenting Payment – upwards of 15 per cent of young Indigenous women (compared with around 4 per cent of non-Indigenous women).
  - Indigenous people suffer ill-health and disability at greater rates than non-Indigenous people. This leads to life expectancy rates for Indigenous people being around 20 years less than non-Indigenous rates. Ill-health impacts significantly on work opportunities and places a burden of care on individuals and communities.
  - Families relying on public or private rent are more vulnerable to poverty. For Indigenous people nearly 70 per cent are housed in some form of rental property.
  - Some remote Indigenous communities live in absolute poverty, measured by poor infrastructure with associated diseases that are largely eradicated in other parts of Australia.<sup>7</sup>

13.6 The data show that as a group Indigenous people experience levels of disadvantage and associated risk of poverty at much greater rates than non-Indigenous people. This is partly associated with the geographic distribution of the population. As a higher proportion of Indigenous people live in remote areas and are on low incomes, they are at greater risk of poverty due to poor service delivery and lack of opportunities. The fact that indigenous people experience high poverty rates in cities and regional centres, where a full range of services and facilities exist, shows, however, that Indigenous people do not yet experience the same access to, or outcomes from, these services as do other Australians.

13.7 Studies have found that indigenous poverty appears to be similar to other forms of poverty – with low income being associated with poor outcomes in other spheres of life, such as high arrest rates, poor health and inadequate housing. Studies have also found that a distinguishing feature of Indigenous poverty is the depth of poverty experienced across a range of welfare indicators. One study found that relatively high income Indigenous households also experienced such factors as long-term health problems and high incarceration rates, suggesting that the nature of poverty and

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7 *Submission 244*, pp.9-10 (ATSIC).

deprivation and the correlation between socioeconomic status, income and health outcomes may be quite different for Indigenous and non-Indigenous Australians.<sup>8</sup>

### **Addressing social and economic disadvantage**

*Tackling Indigenous poverty is a fundamental issue facing all Australians, Indigenous and non-Indigenous, if the nation is to meet its obligations to ensure fair and equitable social, economic and cultural living standards for its citizens.*<sup>9</sup>

13.8 A number of major issues of social and economic disadvantage affecting Indigenous people were highlighted during the inquiry. These include unemployment; housing and infrastructure; education; health, child poverty, youth issues and treatment in the criminal justice system. These issues are discussed below.

#### ***Unemployment***

13.9 Submissions commented on the high rates of unemployment, the lack of engagement by Indigenous people with the labour market, and concerns over welfare dependency.<sup>10</sup> ATSIIC stated that the employment situation of Indigenous people is 'unsatisfactory and in many situations worsening. In fact, the rapid growth of the working age Indigenous population means that the task of achieving improvements in the rates of Indigenous employment, or even maintaining current levels of engagement, is great'.<sup>11</sup>

13.10 ATSIIC emphasised the need for economic development and self sufficiency as the principal means of overcoming welfare dependency and concomitant social problems in Indigenous communities.<sup>12</sup> Mr John Boersig of the Coalition of Aboriginal Legal Services NSW (COALS) noted that 'none of the people I speak with want to be dependent on welfare; they want to develop a sense of self-determination'.<sup>13</sup>

13.11 ATSIIC highlighted a number of issues that need to be considered in improving the employment opportunities of Indigenous people:

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8 Hunter B, 'Three Nations, Not One: Indigenous and Other Australian Poverty', Centre for Aboriginal Economic Policy Research Working Paper No.1, 1999, pp. v-vii, 16-18.

9 *Submission 244*, p.5 (ATSIIC).

10 *Submissions 255*, pp.4-5 (CAEPR); 244, pp.12-16 (ATSIIC).

11 *Submission 244*, p.12 (ATSIIC).

12 *Submission 244*, pp.3, 12-13 (ATSIIC).

13 *Committee Hansard 29.5.03*, p.535 (COALS).



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- Greater emphasise needs to be given to the notion of meaningful jobs, that is, full-time salaried and sustainable employment, as well as on-going part-time employment in communities drawing on the unique circumstances, skills and resources of Indigenous people.
  - The ‘demand side’ problems of generating sufficient jobs where Indigenous people live are significant. Relying on the traditional rural industries will not be sufficient given their decline and reduced demand for labour as a result of mechanisation. Accordingly, a concerted and proactive approach will be required by Indigenous representatives, government and industry to identify market opportunities, meet niche demands and respond to new technologies wherever possible.
  - Various forms of assistance to help enterprises and industries establish on or near Indigenous land and to see them through to viability may need to be considered. Examples may include tax exemptions and tax holidays as incentives, seed funding, wage subsidies and marketing support.
  - Management of national parks, sustainable wild life harvesting, protection and rehabilitation of lands and seas, and aquaculture all have considerable potential given the comparative advantage that Indigenous people have in these areas and their consistency with cultural values.
  - Major established service industries such as health, education, administration, financial services and stores can all provide sustainable sources of employment in remote and regional centres.
  - Indigenous art and culture are already significant generators of employment and income for Indigenous people. Often associated with art and culture, tourism is also a key sector for Indigenous people.
  - There are significant ‘supply side’ problems in relation to Indigenous employment, with low levels of general education and literacy, work experience, and health standards often characterising the Indigenous workforce. Significant effort and resources must be applied in assisting Aboriginal people to be ‘employment ready’.
  - Partnerships with the private sector is a key concept in the context of Indigenous economic development. For example, the non-Government organisation, Indigenous Enterprise Partnerships (IEP), operating principally in Cape York at this stage, aims to foster partnerships that are ‘a dynamic two way mechanism’ that enable philanthropic and corporate Australia to work with Indigenous communities and organisations in a range of areas concerned with economic development and economic and financial management, including at the family level.
  - The idea of partnerships is also fundamental to the development of ‘whole of government’ service delivery model currently being negotiated with

people living in Indigenous communities. This approach, arising from a Council of Australian Governments (COAG) decision to trial a number of whole-of-government arrangements with Indigenous communities, aims to develop a different form of engagement between government and the Indigenous community on the basis of negotiations as equal parties and with tangible outcomes as the objective.<sup>14</sup>

13.12 ATSIC emphasised that there is a pressing need for governments and the private sector to establish partnerships with ATSI communities to develop ways to improve local economic growth and social participation in both remote and urban environments. In addition, governments need to collaborate to provide a range of incentives to stimulate the growth of industries and employment to benefit ATSI communities.<sup>15</sup>

### **Recommendation 58**

**13.13 That the Commonwealth, in conjunction with State Governments, provide a range of incentives to stimulate the growth of industries and employment in Indigenous communities.**

### **Recommendation 59**

**13.14 That the Commonwealth and State Governments, in co-operation with the private sector, establish partnerships with Indigenous communities to promote employment opportunities.**

### ***Community Development Employment Projects***

13.15 The Community Development Employment Projects (CDEP) is designed to provide meaningful employment opportunities for Indigenous people as well as enabling Indigenous communities to manage their own affairs and to gain economic and social equity. To participate in the scheme, unemployed members of a community give up their current entitlements with Centrelink. In turn, ATSIC offers a grant to the CDEP community organisation to enable it to undertake community-managed activities and pay wages to participants. Community organisations responsible for projects also receive funding to cover the costs of administration and capital items required to conduct work projects. The primary objective of the CDEP scheme is to provide work in community managed activities that assist individuals to acquire skills that benefit the community, develop business enterprises and/or lead to unsubsidised employment.

13.16 CDEP attempts to provide a bridge or compromise between the welfare economy and the opportunities normally provided by a large labour market. The

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14 *Submission 244*, pp.13-15 (ATSIC); *Committee Hansard* 6.8.03, pp.1229-30, 1240 (ATSIC).

15 *Submission 244*, p.16 (ATSIC).

CDEP has been significant in providing a base for Indigenous people to acquire greater skills, employment and enterprise development. While CDEP aims to promote the transition to mainstream employment, 65 per cent of CDEPs operate in remote Australia where labour market opportunities and Job Network coverage are limited and access to training providers and facilities is problematic. The scheme has the dual outcomes of helping to maintain the socio-cultural base in communities and increasing Indigenous participation in the labour market.

13.17 ATSIIC noted that while CDEP has been successful in improving the employment prospects for Indigenous people, it has not necessarily addressed poverty levels and financial hardship circumstances as income levels for participants remain low. Others, such as Anglicare NT, were more critical, saying that CDEP 'does not offer people strong pathways to move into skilled development and then into other sorts of employment. ...in some cases it actually replaces appropriately paid labour'.<sup>16</sup>

13.18 CDEP participants forgo their rights to social security entitlements and are paid wages by CDEP organisations that are roughly equivalent to welfare income entitlements. CDEP does, however, provide the opportunity for some participants to earn additional income from top-up wages, from income generating activities and from part-time work with external employers. Further, CDEP tends to provide temporary employment opportunities in low skilled and low paid jobs. CDEP grantee organisations receive oncost funding from ATSIIC, however this is often not sufficient to provide adequate training, supervision and employment outcomes.

13.19 ATSIIC argued that outcomes, and income levels, from CDEP could be significantly improved through program enhancements, increased funding and equity with other government programs, particularly with the Work for the Dole Scheme, which attracts approximately twice the level of on-costs than the CDEP program.<sup>17</sup>

13.20 ATSIIC noted that a number of the benefits and strategies of the *Australians Working Together* package (AWT) are likewise not available to CDEP participants. ATSIIC argued that the removal of these barriers to CDEP participants would be advantageous to individuals, increase the effectiveness and coverage of AWT measures and diminish poverty and financial hardship for Indigenous people. Examples of provisions under AWT not applicable to all or some CDEPs include Working Credit, Training Credits, Job Search Training, Transition to Work, and the Personal Support Program.

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16 *Committee Hansard* 29.7.03, p.1095 (Anglicare NT).

17 *Submission* 244, pp.19-20 (ATSIIC). See also *Committee Hansard* 6.8.03, pp.1230, 1235-37 (ATSIIC).

**Recommendation 60**

**13.21 That Community Development Employment Projects participants have access to the full range of assistance available under the *Australians Working Together* package in order to increase social and economic participation of Indigenous people.**

***Housing and infrastructure***

13.22 Many Indigenous people are not able to fully access adequate, appropriate or affordable housing. Australian Bureau of Statistics census and other data indicate that Indigenous rates of home-ownership are around half that for other Australians (31 per cent, as against 70 per cent for non-Indigenous Australians); Indigenous families are more reliant on community and public rental housing than other Australians (34 per cent, as against 5 per cent for non-Indigenous Australians); Indigenous households are, in general, about twice as likely as other Australian households to be in need of housing assistance; and Indigenous households experience much higher rates of overcrowding than non-Indigenous households, and this problem is particularly acute in rural and remote areas.<sup>18</sup> Mr Bernard Valadian referred to the problems of Indigenous people living in fringe camps in Darwin and the need to provide appropriate housing for these people.<sup>19</sup> Current housing arrangements remain so substandard that ATSIC estimated that it would require \$3 billion to provide housing of an adequate standard in Aboriginal communities.<sup>20</sup>

13.23 In recognition of the specific housing disadvantage of Indigenous people, in addition to housing assistance provided under other programs, dedicated Indigenous housing funds are provided for public and community housing by ATSIC's Community Housing and Infrastructure Program (CHIP). As well as housing and infrastructure, CHIP covers municipal services and the National Aboriginal Health Strategy (NAHS) component provides capital funding for housing and related infrastructure to improve environmental living conditions in rural and remote Indigenous communities.

13.24 Homelessness is a key indicator of poverty. The 2001 Census indicated that Indigenous people are much more likely to experience homelessness than other Australians. ATSIC noted that there are a number of issues that require further consideration in respect of Indigenous homelessness, including aspects of the Supported Accommodation Assistance Program (SAAP). Research has revealed that Indigenous people are overrepresented among the number of homeless persons not accommodated by SAAP (that is, not receiving this form of assistance). It has also

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18 *Submission 244*, p.20 (ATSIC).

19 *Committee Hansard 29.7.03*, p.1119 (Aboriginal Development Foundation).

20 *Committee Hansard 6.8.03*, p.1239 (ATSIC).

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been acknowledged that the level of unmet need among Indigenous people may be under-identified in official ABS and other statistics. ATSIIC stated that the current ABS definition of homelessness is culturally reflective of the non-Indigenous population and may not capture the true nature or extent of Indigenous homelessness. Aspects of homelessness specific to Indigenous people that need to be taken into account may include forms of 'spiritual homelessness' relating to separation from traditional land and family and the impact of this on individuals, groups and communities.

13.25 A number of gaps in service provision were identified as requiring further action including:

- an increase in SAAP services for under-serviced homeless and at risk Indigenous people in rural and remote locations;
- targeted programs for homeless Indigenous people with complex needs that will continue beyond a brief stay in SAAP accommodation;
- an increase in the availability of SAAP accommodation suitable for families;
- crisis support accommodation for women and children escaping family violence that supports all family members;
- increased cultural awareness amongst SAAP staff and programs; and
- improved data collection and reporting.<sup>21</sup>

13.26 ATSIIC argued that there needs to be increased resources provided to Aboriginal communities to reduce homelessness and overcrowding by making available suitable housing, essential services and local infrastructure, particularly where poverty is most prevalent.

### **Recommendation 61**

**13.27 That the Commonwealth provide additional funding for Indigenous-specific housing programs.**

#### ***Education***

13.28 Indigenous people are greatly disadvantaged in the education system. At the time of the 1996 census, nearly half of Indigenous people of working age had no formal education at all, and only two per cent held a bachelor degree or above,

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21 *Submission 244*, p.22 (ATSIIC).

compared with over 10 per cent of the non-Indigenous population.<sup>22</sup> The Queensland Government stated:

Nowhere are the impacts of poverty greater than among Indigenous Australians. Poverty is a major factor impeding Indigenous people's access to quality learning experiences and education outcomes. Indigenous people typically experience rates of school attendance, achievement, retention, and completion well below those of the general population. In turn, this contributes to higher unemployment, lower family incomes and higher incidence of poverty. It is therefore paramount that education initiatives are responsive to the needs, interests and aspirations of Indigenous people.<sup>23</sup>

13.29 Educational disadvantage for Indigenous students begins before schooling starts: extreme poverty in many Indigenous communities lays the foundations for poor health, drug dependency, school failure, welfare dependency and antisocial behaviour. While early childhood education is universally acknowledged as being a major benefit in overcoming disadvantage, only a minority of Indigenous children attend pre-school.

13.30 The extent of Indigenous disadvantage in education is also seen in poor school completion rates and measures of literacy and numeracy. About 10 to 20 per cent of Indigenous students leave school before year 10. The national apparent retention rate for Indigenous students for year 10 in 2002 was 86.4 per cent or 11.7 per cent lower than for all students in Australia. Indigenous retention from year 10 to year 12 for all schools in 2002 was 45.8 per cent or 31.2 percentage points lower than for all students in Australia. The retention rates range from 78.8 per cent in the ACT to 29.0 per cent in Western Australia. These retention rates increased between 1998 and 2002 in all jurisdictions except the ACT which remained relatively stable.<sup>24</sup>

13.31 Literacy and numeracy rates are also much lower for Indigenous students and adults. The literacy national benchmark results in 2001 revealed the gap between all Indigenous students and all students: in year 3, 72.0 per cent of Indigenous students achieved minimum reading standards compared with 90.3 per cent of all year 3 students and in year 5, 66.9 per cent of Indigenous students compared to 89.8 per cent of all year 5 students achieved the national reading standards. Similar results were achieved in numeracy standards.<sup>25</sup>

13.32 While literacy and numeracy results have improved ATSIC commented:

These are not good. A particularly disturbing factor is the widening gap between Indigenous outcomes and overall outcomes that occurs as students

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22 Yencken D & Porter L, *A Just and Sustainable Australia*, Melbourne 2001, p.26.

23 *Submission 129*, p.11 (Queensland Government).

24 *Report on Government Services 2004*, pp.3.20, 3.23-24.

25 *Report on Government Services 2004*, pp.3.38, 3.44.

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progress through their school life. With the share of the school age population of Indigenous growing, it can be expected that this issue will only be compounded without appropriate and timely action.<sup>26</sup>

13.33 The Australian Council for Educational Research (ACER) stated that ‘without success in literacy and numeracy, young Indigenous Australians will continue to face difficulty in remaining at school to complete year 12, entering university and other post-school education and training, and making transitions to stable, full-time employment’.<sup>27</sup>

13.34 The benefits of completing school are significant for Indigenous students: by completing year 10 or 11, chances of employment increase by 40 per cent. Completing year 12 improves the prospect of employment by a further 13 per cent and having a post-secondary qualification increases employment by between 13 and 23 per cent.<sup>28</sup>

13.35 In response to the poor literacy and numeracy skills of Indigenous students, the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) established the National Indigenous English Literacy and Numeracy Strategy (NIELNS) in 2000. The strategy aims to achieve levels comparable to those achieved by other young Australians. There are six key elements in the strategy including improving attendance, overcoming hearing, health and nutrition problems and targeting preschooling experiences.

13.36 In addition to NIELNS, the National Aboriginal and Torres Strait Islander Education Policy contains 21 national goals for bringing about equity in education for Indigenous Australians.

13.37 Indigenous students also remain severely under-represented in higher education. Indigenous participation in higher education increased between 1990 and 1998. The National Tertiary Education Industry Union (NTEU) stated that since 1998 there has been a decline in participation. In 1999, completions decreased by 9.9 per cent on the previous year. In 2000, the overall number of Indigenous students declined by 8.14 per cent, while the number commencing higher education declined by 15.2 per cent. Indigenous students comprise only 1.2 per cent of the domestic student cohort.<sup>29</sup>

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26 *Submission 244*, p.25 (ATSIC).

27 Rothman S & McMillan J, 'Influences on Achievement and Numeracy', Longitudinal Surveys of Australian Youth, Research Report 36, ACER October 2003, p.34.

28 *Submission 163*, p.122 (ACOSS).

29 *Submission 178*, p.11 (NTEU).

13.38 ACOSS also noted that from 2000 to the 2001 school year, the number of school student ABSTUDY recipients fell from 31,734 to 27,200 – a decline of nearly 15 per cent.<sup>30</sup>

13.39 The Government's *Backing Australia's Future* package introduced initiatives aimed at lifting Indigenous participation. The package increases the Indigenous Support Fund (ISF), creates an indigenous Higher Education Advisory Council, allocates five scholarships per year for Aboriginal and Torres Strait Islander academic and support staff and provides for new Commonwealth Learning Scholarships for full-time undergraduates from low socio-economic backgrounds and/or Indigenous backgrounds.

13.40 The 2003 Senate Employment, Workplace Relations and Education References Committee's inquiry into the Government's higher education package noted that witnesses saw the initiatives as 'tokenism' and the additional incentives would not compensate for the increase in education costs. The Committee also noted that the changes to ABSTUDY had resulted in a drop in participation and the merit-based Equity Scholarship Scheme, which granted HECS exemption to some Indigenous students has been discontinued.<sup>31</sup>

13.41 ATSIC concluded that Indigenous education outcomes can be improved. To do so, will take an education system that:

- genuinely involves Indigenous families in decision-making;
- acknowledges that formal schooling is only one part of a child's education;
- delivers curricula that recognises Indigenous history and knowledge;
- invests in Indigenous teachers and education workers;
- provides appropriate facilities and support to students where they live; and
- views education as an element of a holistic approach to community and economic development.

13.42 ATSIC pointed to a number of barriers to successfully improving outcomes for Indigenous students, including that goals under the National Aboriginal and Torres Strait Islander Education policy are being pursued in an ad hoc fashion on a jurisdictional basis. In addition, many are dependent on supplementary Indigenous-

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30 *Submission 163*, p.122 (ACOSS).

31 Senate Employment, Workplace Relations and Education References Committee, *Hacking Australia's Future: Threats to institutional autonomy, academic freedom and student choice in higher education*, November 2003, p.61.



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specific funding rather than being an important factor in mainstream education program and policy design.

13.43 Problems also arise from the continued jurisdictional debate between the Commonwealth and States and Territories over responsibility for the delivery of education services and the delivery of services to Aboriginal and Torres Strait Islander people.<sup>32</sup>

13.44 ATSIC concluded that ‘education is fundamental to addressing Indigenous disadvantage and requires a continuing high level commitment from governments to provide resources and leadership in this key area’. ATSIC recommended that a National Indigenous Education Advisory Body be established to examine the National Aboriginal and Torres Strait Islander Education Policy to ensure that appropriate cooperative strategies are in place to improve the educational outcomes of Indigenous people.<sup>33</sup>

13.45 The Australian Education Union (AEU) argued that another factor contributing to Indigenous students leaving school early is the CDEP program. CDEPs operate in rural and remote areas and participants receive an income payment above that of those who are unemployed or not in the workforce. This makes CDEPs more attractive than staying in the education system. However, ‘the socioeconomic outcomes for the Indigenous workforce would be enhanced if Indigenous youth [were] encouraged to complete school rather than move straight on to a CDEP scheme’.<sup>34</sup>

13.46 While noting that there are a number of initiatives aimed at improving Indigenous school completion rates, the AEU stated that:

- initiatives were ‘occurring in an ad hoc manner, with little opportunity for the systematization of effective strategies which produce worthwhile educational and employment outcomes, which lead to the amelioration of poverty’;
- the \$6 million of funding to address retention rates through the Working Together for Indigenous Youth Strategy was inadequate ‘to redress this appalling indicator of inequity’; and
- as well as appropriate infrastructure, there needs to be a focus on development of incentives to keep Indigenous youth at school, present them with a range of career options and support them through the attainment of these.

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32 *Submission 244*, p.25 (ATSIC).

33 *Submission 244*, p.26 (ATSIC).

34 *Submission 108*, pp.24-25 (AEU).

13.47 The AEU made a number of recommendations regarding Indigenous education including that:

- a National Forum on Indigenous Education be established to provide an opportunity for Indigenous educators and community members to input in to Federal Government decisions at a strategic level;
- an investigation be conducted into the impact of CDEP on school retention rates for Aboriginal and Torres Strait Islander students and develop strategies to ensure that CDEP is not creating an adverse impact on school retention and completion rates. These strategies should be developed and implemented to ensure that the CDEP scheme becomes a true labour-market program, with opportunities and incentives for education, training and economic development built in;
- the Commonwealth provide immediate assistance to the Northern Territory Government to explore the unmet demand in relation to Aboriginal Education in the Territory, to determine the exact number of Aboriginal students (currently estimated at 5000) who have no access to the education system, and to develop strategies, including the immediate training of Assistant Teachers, to alleviate this national crisis; and
- a national audit be conducted in relation to Aboriginal and Torres Strait Islander peoples' access to educational infrastructure and that strategies, such as the establishment of Government-run boarding schools, be explored in the context of ensuring that Aboriginal and Torres Strait Islander students have access to equitable educational infrastructure.<sup>35</sup>

### *Conclusion*

13.48 The Committee considers that an improvement in Indigenous education and training is fundamental to overcoming disadvantage for Indigenous people. While there has been some improvement in literacy and numeracy and retention rates of Indigenous students, they still lag significantly behind all other Australian students.

13.49 For Indigenous people, educational disadvantage starts at an early age and is a major barrier to completing school and entering higher education and training. The causes are multi dimensional and cannot be addressed in isolation: improvements in health will lead to higher levels of student's attendance and a decrease in hearing and sight problems; lifting attendance rates will require the work of all in communities; more indigenous teachers and education workers will provide culturally appropriate and relevant learning experiences; and greater consultation with higher education institutions to improve participation.

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35 *Submission* 108, p.29 (AEU).

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**Recommendation 62**

**13.50 That the Commonwealth work with the States and Territories to develop strategies to improve access of Indigenous children to early childhood education facilities.**

**Recommendation 63**

**13.51 That the Commonwealth provide additional funds specifically for improving Indigenous literacy and numeracy.**

**Recommendation 64**

**13.52 That the Commonwealth investigate the impact of the changes to ABSTUDY on the participation of Indigenous students and implement changes to improve ABSTUDY assistance to Indigenous students.**

***Health***

13.53 Evidence to the inquiry, confirmed by numerous studies, indicates that Indigenous people suffer a greater burden of ill-health than other Australians.<sup>36</sup> The health status of Indigenous Australians is poor in comparison with other Australians. Indigenous people are more likely to suffer reduced quality of life due to ill-health, to experience disability and to die at much younger ages than the non-Indigenous population. As noted previously, life expectancy for Indigenous people is approximately 20 years less than the life expectancy of other Australians.<sup>37</sup>

13.54 The Indigenous population is disadvantaged across a range of socio-economic factors, such as employment, education and housing, and these factors have an impact on health outcomes. However, socio-economic status alone does not explain the variations in health status that exist between Indigenous and other Australians. Health risk factors (for example, smoking, alcohol misuse) and other risk factors (for example, poor housing, exposure to violence) also play a part in explaining the differential burden of disease between population groups. Evidence also suggests that the social environment partially explains health outcomes, including the immediate local environment, social connections with family and the community and control or perceived control in the workplace and the wider society. Indigenous people are disadvantaged in this respect and are often characterised by a sense of hopelessness and a perceived loss of 'control' over life events.<sup>38</sup>

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36 *Submissions* 88, pp.5-6 (COALS); 244, pp.26-27 (ATSIC).

37 *Submission* 244, p.26 (ATSIC).

38 AIHW, *Australia's Health 2002*, pp.197-208.

13.55 In relation to health service provision, the Australian Institute of Health and Welfare (AIHW) estimated that in 1998-99, \$1 245 million was spent on health services by, and for, ATSI people. This amount represented 2.6 per cent of total health expenditure by Commonwealth, State and local governments as well as expenditure from private sources such as private health insurance and out-of-pocket expenses. Indigenous people, however, experienced lower levels of access to health services than the general population, even though they were twice as likely to be hospitalised. This is due to a number of factors, including the fact that Indigenous people are more likely than other Australians to live outside urban areas and therefore lack ready access to a range of urban-centred health services and facilities. Other factors limiting access include the availability of transport, the ability to speak English, and cultural factors such as the availability of same-sex Indigenous health workers.

13.56 Patterns of expenditure indicate differences between Indigenous and the non-Indigenous population in the way that funds are spent on health services. Greater amounts were spent on ATSI people in relation to community and public health services, patient transport, public hospital care (both admitted and non-admitted patient services), and mental health institutions. Lesser amounts were spent through Medicare, the PBS, high-level residential aged care and private health services than for other Australians.<sup>39</sup>

### **Recommendation 65**

**13.57 That the Commonwealth and the States continue to implement programs and strategies to improve access to health care services for Indigenous people.**

#### ***Indigenous children***

13.58 About 40 per cent of the Indigenous population is aged less than 15 years and Indigenous children have the highest rates of poverty of any group in Australia. A Brotherhood of St Laurence study noted that the extent of indigenous poverty has been difficult to determine, though estimates based on earlier research were provided:

- in 1991 on average, 50 per cent of Indigenous families with children had incomes below the Henderson poverty line compared with 21 per cent of non-indigenous families; and
- Indigenous children represented 2.7 per cent of all Australian children in 1991, but constituted 7 per cent of all Australian children living in poverty.<sup>40</sup>

13.59 One of the main factors associated with Indigenous child poverty is the lack of employment opportunities for parents, with over half of all Indigenous families with children having no employed adult in the family unit in 1991. However, almost a

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39 AIHW, *Australia's Health 2002*, p.211.

40 McClelland A, *'No child...' Child poverty in Australia*, Brotherhood of St Laurence, April 2000, p.28.

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quarter (23.7 per cent) of indigenous couples with children and one adult employed had incomes below the Henderson poverty line. In non-indigenous families only 5.5 per cent were in this situation.

13.60 Another factor contributing to child poverty is the prevalence of sole parent families. Indigenous sole parent families:

- have larger numbers of children;
- are less likely to live in major urban areas;
- are more reliant on public housing and more likely to have inadequate housing;
- are younger and more likely to be never married; and
- have lower levels of education and employment and lower incomes.<sup>41</sup>

13.61 ATSIIC also commented on the relatively high proportion of young Indigenous women (15 to 24 year olds) who are currently receiving the single Parenting Payment. Preliminary information suggests this is upwards of 15 per cent of young Indigenous women (compared with around 2 per cent of non-Indigenous women). This suggests that about 10 per cent of the total of 15 to 64 year olds are receiving the single Parenting Payment compared with around 3 per cent of non-Indigenous 15 to 64 year olds.<sup>42</sup>

13.62 For Indigenous children, poverty is reflected in infant statistics: babies born to Indigenous mothers are twice as likely to be of low birth weight compared with non-Indigenous mothers; and Indigenous infant mortality rates are 2.5 times that of non-Indigenous infant mortality.<sup>43</sup> Indigenous children have high rates of illness, greater risk of injuries resulting from accidents, child abuse or neglect, higher risk of asthma and lower developmental achievement.

13.63 ATSIIC stated that:

The profound effect that poverty can have on child health is one of the most important social issues faced by communities and governments. The long term and ongoing effect of poverty on the health of all Indigenous peoples, men, women and children, remains one of the major obstacles to achieving a vastly improved and acceptable level of Indigenous health and wellbeing.<sup>44</sup>

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41 McClelland, p.28.

42 *Submission 244*, p.41 (ATSIIC).

43 *Submission 244*, p.33 (ATSIIC).`

44 *Submission 244*, pp 26-27 (ATSIIC).

13.64 Many submissions highlighted the importance of early childhood education for Indigenous communities. ATSIC stated that ‘many of the most pressing social problems faced by Indigenous people have their beginnings in early childhood. The foundations of poor health, drug dependency, school failure, welfare dependency, poverty and criminal behaviour can often be associated with a child’s early years.’<sup>45</sup>

13.65 One way of improving early childhood experiences of Indigenous children is the provision of professional child care. However, QCOSS noted the nonpayment of child care fees in Indigenous communities is a problem. Many indigenous families experience competing demands on funds and experience problems such as substance abuse, which may drain finances. In such circumstances, child care is not necessarily seen as a priority. QCOSS recommended greater support to ensure that childcare services remained viable in these communities. QCOSS also endorsed the expansion and development of Multifunctional Aboriginal Children Services (MACS) and other early childhood services to ensure all indigenous children have access to quality childcare, family support and early intervention program.<sup>46</sup>

### **Recommendation 66**

**13.66 That the Commonwealth provide additional funding to improve the affordability of child care for Indigenous children.**

#### ***Indigenous youth issues***

13.67 ATSIC provided data on the employment and education of young Indigenous people. ATSIC found that the proportion of Indigenous teenagers (aged 15 to 19) not fully engaged in work or education is three times that of non-Indigenous people, meaning that Indigenous teenagers are at more risk of not accumulating the necessary experience and qualifications needed to ensure employment and higher paid work in the future. The risk increases by remoteness: from 38 per cent in major cities to 52 per cent in remote areas and 70 per cent in very remote areas.<sup>47</sup>

13.68 For young Indigenous adults (aged 20 to 24 years), close to 70 per cent are not fully engaged with work or education compared to 30 per cent of the non-Indigenous workforce. This means that young Indigenous adults are three times as likely to be unemployed or not in the labour force.<sup>48</sup> While Indigenous young adults constituted 2.8 per cent of the total young adult population in 2001, they formed only one per cent of those in full-time education, 1.4 per cent of full-time workers, 3.7 per cent of part-

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45 *Submission 244*, p.24 (ATSIC).

46 *Submission 160*, p.10 (QCOSS).

47 *Submission 244*, p.38 (ATSIC).

48 *Submission 244*, p.38 (ATSIC).

time workers and 7.6 per cent of those unemployed or not in the labour force.<sup>49</sup> Again those in the most remote areas of Australia are at greatest risk with 73 per cent in remote areas being at risk and 83 per cent in very remote areas being at risk.

13.69 ATSIIC estimated that about 60 per cent of Indigenous young adults are receiving an income support payment (total Centrelink plus those on CDEP but not on Newstart Allowance). This compares to 23 per cent of non-Indigenous youth. If ABSTUDY is excluded, about 45 per cent are on income support. ATSIIC stated that some double counting was expected when incorporating CDEP participants.<sup>50</sup>

13.70 An analysis by the Dusseldorp Skills Forum on the education and labour market status of teenagers (15-19 years) and young adults (20-24 years) between 1996 and 2001 found some improvements for Indigenous young people:

- there was a 4 per cent increase in the number of Indigenous teenagers in full time education;
- there was a 3 per cent decrease in Indigenous teenagers in part-time work and/or education, unemployed or not in the labour force; and
- there was a slight increase Indigenous young adults undertaking full-time study, accompanied by a decline in the proportion in full-time work and increase in the proportion in part-time work and/or education (14.5 per cent to 16.6 per cent).<sup>51</sup>

13.71 The Dusseldorp Skills Forum suggested that 'early connection to full-time work or education for young people is crucial to long-term labour market success, leading to a need for renewed emphasis on improving education and employment outcomes for young Indigenous people'.<sup>52</sup>

### ***The criminal justice system***

13.72 Indigenous people are disproportionately represented in the criminal justice system. While Indigenous people comprise only 1 in 40 of the Australian population as a whole, they comprise 1 in 5 of the prisoner population. The imprisonment rate for Indigenous offenders is more than 15 times higher than the rate for non-Indigenous offenders.<sup>53</sup> The Coalition of Aboriginal Legal Services NSW (COALS) noted that on

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49 Dusseldorp Skills Forum, *How Young People are Faring, Key Indicators*, 2003, p.43.

50 *Submission 244*, pp.38-39 (ATSIIC).

51 Dusseldorp Skills Forum, pp.39-44.

52 Dusseldorp Skills Forum, p.36.

53 *Submission 244*, pp.22-23 (ATSIIC). See also *Committee Hansard 29.5.03*, pp.529-30 (COALS).

average the NSW Department of Juvenile Justice had 300 juveniles in custody and contact and over 9000 juveniles were before the courts. During 2001-02, Indigenous juveniles comprised 34 per cent of juveniles on remand, 43 per cent under the department's control and 22 per cent in youth conferencing in NSW.<sup>54</sup> Such high levels of contact with the criminal justice system are exacerbated by, and inherently linked to, the low socio-economic status of Indigenous people.

13.73 The level of imprisonment of Indigenous people is increasing. The cost to the community of maintaining the justice system (police, courts and corrections) is also high and is increasing. ATSIC stated that disruption occurs to both the lives of the prisoner and of his/her family with incarceration for any length of time. The family unit may break down when there is no breadwinner, and this can lead to violence, homelessness and drug addiction.<sup>55</sup>

13.74 Once contact with the criminal justice system occurs, poverty again becomes a factor in terms of affordable access to legal assistance and just sentencing. Most Indigenous peoples, because of poverty, require legal aid for access to legal representation.

13.75 COALS stated that there is increasing demand on Aboriginal and Torres Strait Islander Legal Services (ATSILS) resources by Indigenous clients who require legal advice/representation for civil, family and child-related matters. COALS noted that in relation to Aboriginal Legal Services 'there has been virtually nil increase in funding over the last five years'.<sup>56</sup> COALS argued that additional funding should be provided.

Any increase in the number of solicitors and field officers for the ATSILS would facilitate earlier contact and representation with Indigenous clients, while a better understanding of Indigenous clients' circumstances would most likely result in lowering imprisonment rates for Indigenous people.<sup>57</sup>

13.76 Indigenous women are at a distinct disadvantage when it comes to accessing legal aid, as the priority for service delivery in this area lies in criminal matters, where the offenders are often male. While women's access to services has improved in recent years, further action is needed to reach a level of equality for all Indigenous people. ATSIC noted that a disturbing trend is the increasing rate of Indigenous women in prison. The number of Indigenous women incarcerated has risen by 255 per cent over the past decade, although in absolute terms the numbers are relatively small.<sup>58</sup>

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54 *Submission 88*, p.8 (COALS).

55 *Submission 244*, pp.23-24 (ATSIC); *Committee Hansard 6.8.03*, pp.1231-32 (ATSIC).

56 *Committee Hansard 29.5.03*, p.533 (COALS).

57 *Submission 88*, p.10 (COALS).

58 *Submission 244*, p.24 (ATSIC).



13.77 ATSIIC argued that there is an urgent need to significantly increase the scope of prisoner support services to encompass greater assistance with housing, childcare, and financial concerns. In addition, there is a critical lack of expenditure on post-release support services for prisoners, and this is compounded where immediate poverty is a factor increasing the risk of re-offending. While \$55 000 a year is spent to keep one person incarcerated, only \$300 a year is invested in post prisoner release. The Commission stated that assistance with training, employment, housing, and family care is essential at this stage, and the failure to invest in these social needs inevitably leads to a greater degree of social dysfunction and recidivism.<sup>59</sup>

### **Recommendation 67**

**13.78 That the Commonwealth provide additional funding for Aboriginal and Torres Strait Islander Legal Services.**

### **Recommendation 68**

**13.79 That the States provide additional assistance for programs that address recidivism and post-prison release support services for Indigenous people.**

### **Conclusion**

13.80 This inquiry has highlighted the alarming and distressing picture of poverty and disadvantage amongst Indigenous communities across Australia. However, the inquiry has only touched the edges of the absolute poverty and disadvantage of Indigenous Australians that many previous inquiries and detailed studies have revealed. The social and economic disadvantage suffered by Indigenous Australians has many forms including high levels of unemployment, extremely poor health outcomes, far shorter life expectancy than other Australians and high levels of incarceration. The situation represents a serious national problem, and requires a concerted effort at all levels of government to address the underlying causes.

13.81 The Committee believes that a concerted national approach to address the problem of Indigenous poverty requires that agencies within and across governments collaborate with Indigenous communities as well as with other community and private sector agencies. The Committee firmly believes that solutions to the problem of Indigenous poverty must involve extensive consultation with Aboriginal communities to be at all effective.

13.82 Poverty and disadvantage are multi-dimensional and there is a degree of circularity whereby an effect of poverty in turn becomes a cause, and so, for instance, poor housing itself an outcome of poverty, militates against improved health, educational and other outcomes. The implication of this situation is that programs to

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59 *Submission 244*, p.24 (ATSIIC).

address Indigenous poverty and disadvantage must be multi-faceted, and resourced to a significant degree, commensurate with the scale of the problem.

13.83 Indigenous poverty appears to be deeply entrenched and persistent. This implies that improvement in Indigenous economic and social status will require long-term government intervention and innovative service models that ensure a high degree of Indigenous involvement in the development and implementation of programs. As one submission noted:

A future challenge for governments will involve implementing approaches that recognise the heterogeneity of Indigenous life influenced by the decisions made by Indigenous people in terms of how and where they want to live. These factors in turn affect how rapidly any progress might be made in improving the economic outlook for Indigenous people. The multi-faceted and complex nature of Indigenous poverty suggests that approaches that merely mirror those for mainstream society, or advocate immediate outcomes, may risk failure.<sup>60</sup>

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60 *Submission 255*, pp.3-4 (CAEPR).

## CHAPTER 14

### RURAL AND REGIONAL COMMUNITIES

*...poverty and geographic locational disadvantage is a very serious issue that we need to grapple with in the short term rather than over the long term.*<sup>1</sup>

14.1 Evidence to the inquiry pointed to the problem of poverty and disadvantage in many rural and regional areas across Australia. The evidence pointed to the generally lower incomes of those living in these regions; reduced access to services such as health, education and transport, and declining employment opportunities. These factors are compounded by the problems of distance and isolation.<sup>2</sup>

14.2 The Committee visited a number of regional centres and heard from a large number of organisations and individuals in these areas. These witnesses highlighted the difficulties faced by many communities in confronting issues of poverty and financial hardship and were particularly valuable in the insights they provided and the need for governments to address the issues raised.

#### **The urban-rural/regional divide**

14.3 The importance of focusing on locational disadvantage was emphasised during the inquiry. The experience of poverty is closely connected to where people live and the resources which are collectively available to people who live in a particular locality. QCOSS stated that an important feature of poverty in Queensland and 'an emerging feature' of poverty in Australia generally is the 'place-based nature of poverty....poverty is not spread equally and evenly around the state and there are particular localities that experience a set of characteristics that are both disadvantageous to that locality and reflect significant groups in the population who are living in poverty and financial hardship'.<sup>3</sup>

14.4 Other States and Territories reflected similar concerns. WACOSS commented on the problems of regional disadvantage in Western Australia –'we feel very strongly about regional issues in WA. People living in poverty in the remote areas are doubly disadvantaged as a result of high living costs and reduced access to services'.<sup>4</sup>

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1 *Committee Hansard* 4.8.03, p.1193 (QCOSS).

2 *Committee Hansard* 29.5.03, pp.561-571; 30.6.03, pp.744-760; 1.7.03, pp.845-861; 6.8.03, pp.1265-68. See also *Submissions* 166, pp.19-20 (Salvation Army); 169, pp.22-23 (Mission Australia); 148, pp.28-29 (Catholic Welfare Australia); 133, pp.5-6 (UnitingCare Australia); 129, pp.19-20 (Queensland Government).

3 *Committee Hansard* 4.8.03, pp.1192-93 (QCOSS).

4 *Committee Hansard* 28.7.03, p.1029 (WACOSS).

NTCOSS reflected on the specific characteristics of the Northern Territory which impact on poverty in the Territory, including remoteness, a large Indigenous population, the problem of distance with a small population spread over a large geographical area and high population mobility. NTCOSS noted that these factors 'pose challenges in providing adequate physical and social infrastructure as well as costs for people in the NT'.<sup>5</sup>

14.5 One study described the spatial dimensions of poverty since the 1970s in non-metropolitan areas as 'the emergence of declining rural towns with large numbers of households on social security payments, declining industrial towns which have experienced severe cutbacks, and selected coastal regions in NSW and Queensland attracting large numbers of low-income people who are either in low-paid casual work or unemployed'.<sup>6</sup>

14.6 Submissions and other evidence graphically highlighted the plight of many communities in rural and regional areas across Australia, as illustrated below.

### **Poverty in rural Australia – the plight of the bush**

From [CWA] branch to branch, we are concerned with poverty because we are concerned with drought. We are also concerned with poverty because we cannot afford to keep our farms going. Poverty is only one tiny part of it, because rural life has changed so much. Our kids are educated out of our communities, we cannot get doctors, we no longer have banks, we do not have trains and we do not have public transport, yet, when you put into action ideas for getting those little communities to pull together and be more self-reliant, they turn up in droves. The volunteer spirit is still very strong. But in terms of poverty there is a lot of stoicism and resilience – a "we'll be right" attitude.

*Committee Hansard 27.5.03, p.444 (CWA of NSW).*

Another thing I would like to touch on briefly is rural women. There is a culture within the rural community of being a stalwart...but one thing I have noticed is that when you go to rodeos or country community events you see very thin women with reasonably well presented children and reasonably well presently husbands, and you talk to people and they will quietly say, "They are doing it very hard". You can see exactly what has gone on. These women are sacrificing themselves to make sure that their children are looked after and their husbands can get out there and still work their properties.

*Committee Hansard 28.7.03, p.1066 (Hon. Jonathan Ford MLC).*

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5 *Committee Hansard 29.7.03, p.1081 (NTCOSS).*

6 Fincher R & Wulff M, 'The Locations of Poverty and Disadvantage', in Fincher R & Nieuwenhuysen J, eds., *Australian Poverty: Then and Now*, Melbourne University Press, 1998, p.164.

Rural and regional communities are generally poorer than metropolitan regions with unemployment often being the cause of financial constraints for many. Access to social services and subsequent lack of opportunities in the areas of education and health exacerbate the deprivation in these areas.

*Submission 148, p.28 (Catholic Welfare Australia).*

Limited employment possibilities and poor access to health services, education and transport, lower the quality of life for many in rural communities. While this pattern is not uniform across rural and remote Australia...many people are living with the consequences of economic deregulation, industry restructuring, the withdrawal of government services, such as hospitals and schools, and the closure of banks and other businesses. This has led to job losses and reduced incomes and further exacerbated rural poverty levels.

*Submission 184, pp.17-18 (COTA National Seniors).*

The vulnerability of many regional and rural communities has become magnified by the recent drought...the drought combined with already high rates of unemployment, fragile local economies and the ongoing loss of many social and community services has been devastating for many individuals and families.

*Submission 166, p.19 (Salvation Army).*

We are actually seeing people who are in greater need than I have perhaps ever seen. I have been in the game for approximately 25 years and I have seen urban poverty right through to rural poverty. It is kind of the end of the line. They are coming forward, but it is only because there is nothing left. It is really awful. For example, I was in touch with a service station owner who was distraught because he had had to knock back a person who was trying to get some petrol on tick. The person who was wanting to get petrol on tick was a woman whose family had a farm. They could not pay their bills and so they could not get the petrol on tick. But if she did not get the petrol on tick she could not come in to work in the chemist's store where she earned \$125 a week, which was what they used to feed themselves and to pay for the next lot of fertiliser for the farm. He was feeling awful; she was feeling awful. It is really very tough. I agree with you—people are beginning to come forward, but their level of need is far higher than what you would perhaps see in similar circumstances in an urban population and that is combined with a lack of familiarisation with the kind of help that is available, which is another stumbling block.

*Committee Hansard 6.8.03, pp.1249-50 (Lifeline North Queensland).*

14.7 The lack of services – both government and non-government – in a whole range of areas, such as education, health, transport, banking and other community services, and the general loss or downsizing of essential infrastructure was a frequently expressed concern during the inquiry. The Country Women's Association (CWA) of NSW described the situation in one small country town:

Mrs Brown – At Yeoval, which is another 25 kilometres on from Cumnock, which is 25 kilometres from Orange, there is a community bus once a fortnight. At Cumnock we have just got a doctor half a day a week – yes! – but we had no doctor before that.

Senator LEES – Is there a bank?

Mrs Brown – No. The bank moved into the post office when the bank closed, and then the post office closed. So we have the Commonwealth Bank and the post office in the general store.<sup>7</sup>

14.8 The decline of services and the social infrastructure can have a serious impact on local communities and can, in many instances, accelerate the decline of small rural communities. Anglicare Victoria spoke of this effect in the following terms:

We have talked about increasing centralisation of services, the closing of post offices, banks, hospitals and court houses in a lot of smaller communities; the loss of other businesses as the people employed in those services leave; the drop in school numbers and then school closures; and the general breaking down of social infrastructure in many small communities. Young people and families leave to get education or broader educational opportunities and do not return. Not only is the social infrastructure disappearing; the people left in the small communities are the most isolated and vulnerable – the people who do not actually have a choice to leave.<sup>8</sup>

14.9 The problem of poverty amongst Indigenous Australians in rural and remote areas was also highlighted during the inquiry. The Aboriginal and Torres Strait Islander Commission (ATSIC) stated that in remote areas the lack of accessible services and inadequate infrastructure greatly exacerbates problems that perpetuate poverty. In many remote communities, basic amenities and services such as water, sanitation, power, telecommunications, and public transport and housing are non-existent or insufficient to support the population.<sup>9</sup> Catholic Welfare Australia stated that rural poverty 'is most pronounced amongst Indigenous Australians. This is evident in all areas of their lives. Rural Indigenous Australians have a life expectancy 20 years less than non-Indigenous Australians and have twice the mortality rate of non-Indigenous rural Australians'.<sup>10</sup> For a further discussion of issues relating to Indigenous Australians see chapter 13.

14.10 Submissions emphasised the often 'hidden' nature of poverty in regional and rural Australia. The CWA of NSW referred to a study of jobless families in north-east

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7 *Committee Hansard* 27.5.03, p.467 (CWA of NSW). A study by Pawar and McClinton *Towards Poverty Alleviation in Rural Australia* argues that the decline of many small towns results from the loss or absence of key community and other services and that rural poverty is more widespread and more chronic than urban poverty, Centre for Rural Social Research, Charles Sturt University.

8 *Committee Hansard* 30.4.03, p.87 (Anglicare Victoria).

9 *Submission* 244, p.3 (ATSIC).

10 *Submission* 148, p.29 (Catholic Welfare Australia).

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NSW arguing that it was the intangibles that flowed from their financial plight that resonated. The CWA added:

...these families appear to lead "normal lives", working at school canteen, or going to TAFE, and so on, but they never invite anyone to their homes nor discuss even casually their personal circumstances with others. Most of the families live in unsuitable or unconventional accommodation, some sharing houses with virtual strangers, others sharing with relatives "for the time being".<sup>11</sup>

14.11 Recent drought conditions have also exacerbated the often dire economic situation with increasing hardship for many farming families and significant flow-on effects to local communities. Evidence to the inquiry from welfare agencies and local community groups indicated that many communities are faced with increasing levels of stress, family breakdown, domestic violence, suicide, substance abuse and crime as a result of these increasingly difficult economic conditions and the recent drought.<sup>12</sup>

14.12 An indication of the extent of hardship being experienced in rural and regional Australia is provided by the calls on assistance being provided by charitable and welfare organisations and other groups. The CWA in NSW spent \$380 000 (up to a maximum of \$1000 per family) in less than two months on assistance to farming families for their domestic needs.<sup>13</sup> The SVDP Society conferences also indicated continuing demand for their services. For example, one conference reported that:

The continual increase in the number of people is of great concern as financially this imposes a very serious demand on our limited resources. Our volunteers are finding there is insufficient time to properly assist people with material assistance, many of whom relish the opportunity to have a one-on-one discussion with a willing listener.<sup>14</sup>

14.13 Many rural populations are also ageing as younger people move to the larger towns in search of education, work or a better lifestyle. COTA National Seniors spoke of life in rural communities becoming harder for older people. A lack of suitable accommodation and services often leads to depression and a severe sense of isolation. Cutbacks and closures in hospitals and health services have had a particularly adverse effect on the lives of older rural Australians, many of whom are unable to access timely and appropriate care. There is a widespread lack of aged care facilities and support services, particularly HACC services, to enable older people to remain in their

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11 *Submission 39*, p.5 (CWA of NSW). See also *Submission 58*, p.1 (CWA of Victoria).

12 *Submissions 166*, pp.19-20 (Salvation Army); *39*, p.6 (CWA of NSW); *58*, p.1 (CWA of Victoria) 184, p.18 (COTA National Seniors).

13 *Submission 39*, p.6 (CWA of NSW); *Committee Hansard 27.5.03*, p.466 (CWA of NSW).

14 *Committee Hansard 29.5.03*, p.574 (SVDP Society – Raymond Terrace).

homes for as long as possible. With the movement of younger family members to cities and larger regional centres frail older people have even fewer resources.<sup>15</sup>

### **Social and economic disparities**

14.14 A number of major economic and social disparities affecting rural and regional communities were highlighted during the inquiry and these are discussed below.<sup>16</sup>

#### ***Unemployment***

14.15 Submissions pointed to increasing inequality in the distribution of employment opportunities between rural and regional areas vis-à-vis metropolitan areas. Mission Australia noted that 'the lower share of employment generated by primary industries in recent years, exacerbated by the current drought, has meant that many non-metropolitan regions have far fewer jobs than in past decades'.<sup>17</sup> UnitingCare Australia stated that communities in regions with single sector employment are particularly vulnerable to changes in policy that result in the movement of job opportunities away from the region. This disadvantage may be compounded in regions offering unskilled employment as the job market increasingly moves towards demand for skilled workers.<sup>18</sup>

14.16 During the 1990s there were significant variations in the rate of unemployment in the various States as well as variations within both the metropolitan and non-metropolitan areas of States and Territories. A snapshot of unemployment, based on 1996 Census data, shows that non-metropolitan regions had, on average, higher unemployment rates than metropolitan regions. In that year, non-metropolitan regions recorded an overall rate of 10.5 per cent, while metropolitan regions recorded an overall rate of 8.5 per cent. Within non-metropolitan regions, in general, the more remote areas exhibited below average rates of unemployment. Above average levels of unemployment were found in coastal NSW, particularly the North Coast, and south-eastern Queensland, as well as in areas surrounding Australia's major cities. It appears likely that these areas have attracted unemployed persons from large cities.<sup>19</sup>

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15 *Submission* 184, p.18 (COTA National Seniors); *Committee Hansard* 19.6.03, p.625 (COTA National Seniors). See also *Committee Hansard* 30.4.03, p.87 (Anglicare Victoria).

16 Many of these issues were raised by the Australian Catholic Social Welfare Commission in 'A Litany of Disadvantage: Rural Communities of Australia', Discussion Paper No.15, 2000.

17 *Submission* 169, p.22 (Mission Australia).

18 *Submission* 133, pp.5-6 (UnitingCare Australia).

19 Department of Industry, Tourism & Resources, *Key Demographic and Labour Market Trends in Australia during the 1990s*, 2002, p.16.



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## **Incomes**

14.17 Studies have found growing income disparities between people living in the capital cities and those living in rural and regional areas of the country. One study found that in 1996 household incomes in metropolitan regions were significantly higher – nearly \$10000 or almost 30 per cent – than those in non-metropolitan regions.<sup>20</sup> Data for 2000-01 indicated that at the national level, average incomes in the capital cities were 20 percent above those in the balance of the particular State, and in each State capital city average incomes were above those in the balance of the State. The largest difference was in NSW where the capital city incomes were 30 per cent above the average incomes across the rest of the State.<sup>21</sup> However, regional areas are not uniformly disadvantaged in terms of income disparities, with different patterns being experienced in particular States and regions.

14.18 A study by Lloyd *et. al.* examined changes in the incomes of households living in regional Australia between 1991 and 1996.<sup>22</sup> The study found that 'there is a large and growing gap' between the incomes of those living in the capital cities and those living in the rest of the country. The incomes of metropolitan residents increased at about double the rate of those living in other major urban centres and regional and rural towns in the five years to 1996. The results indicate, however, that regional Australia is not uniformly disadvantaged and not uniformly declining. The biggest 'losers' in terms of income appear to be residents of small rural towns rather than residents of rural areas as such.

14.19 The situation for regions aggregated across Australia masks very different experiences in particular States and regions. Income inequality between regions becomes more apparent when the States are analysed separately. While incomes grew strongly in Sydney and Melbourne between 1991 and 1996, the growth was not as strong in most other areas of NSW and Victoria. Both Western Australia and Queensland had strong growth in most regions. In rural South Australia and Tasmania incomes increased substantially, but in other areas of both States real incomes were stagnant or declined.

14.20 Not only did the income gaps between regions increase in the 1990s, income inequality within regions also increased. The proportion of households in the middle income ranges declined while the proportions in the high and low income ranges increased. Non-metropolitan areas had a much higher proportion of low income households than did the capital cities and a lower proportion of high income households. The proportion of low income households grew more slowly in the capital

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20 Key Demographic Trends, p.17.

21 ABS, *Household Income and Income Distribution*, Cat No.6523.0, July 2003, p.9.

22 Lloyd R *et.al.*, 'Regional Divide? A Study of Incomes in Regional Australia', NATSEM Discussion Paper No.51, September 2000, pp.22-23.

cities than the rest of Australia, except rural areas, during the 1991-96 period, while the proportion of high income households grew more rapidly.<sup>23</sup>

### **Health**

14.21 Submissions pointed to the lack of access to health services for people living in rural and remote areas.<sup>24</sup>

14.22 The Australian Institute of Health and Welfare (AIHW) noted that access to health services in regional Australia is influenced by the lower number of GPs; lower rates of bulk billing; and lower levels of access to specialists and major hospitals as a consequence of greater travel distances. For example, with regard to medical practitioners, AIHW statistics show that in 1999 there was generally a higher proportion of medical practitioners relative to population concentration in capital cities than in non-metropolitan areas. For other rural and remote areas, the percentage of medical practitioners was generally lower than their proportion in the population.<sup>25</sup>

### **Education**

14.23 Submissions also pointed to disparities in access to educational opportunities, (especially secondary education) for people living in non-metropolitan areas. Children in these areas are less likely to complete their education than those living in metropolitan areas.<sup>26</sup> While there is considerable regional variation across non-metropolitan Australia there appears to be a clear negative relationship between the proportion of 16 year old children attending school and the degree of remoteness of the locality. Areas exhibiting below average continuation of children to post-compulsory education are concentrated throughout central, western and northern Australia.<sup>27</sup>

14.24 There are also disparities in access to higher, technical and further education. While mining areas (particularly in Western Australia) have a relatively high proportion of people with tertiary qualifications, in many areas of NSW, Queensland, South Australia, northern and western Victoria and the Northern Territory, the proportion of people with these qualifications is well below the non-metropolitan average.<sup>28</sup>

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23 Lloyd, p.22.

24 *Submissions* 184, p.17 (COTA National Seniors); 151, p.6 (Catholic Diocese of Armidale)

25 AIHW, *Australia's Health 2002*, pp.215, 270-74.

26 *Submissions* 58, p.1 (CWA of Victoria); 151, p.7 (Bishop's Commission for Justice, Development & Peace – Catholic Diocese of Armidale).

27 Key Demographic Trends, pp.19-20.

28 Key Demographic Trends, p.20.

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## Addressing poverty and disadvantage in regional and rural areas

14.25 Evidence to the inquiry proposed a number of strategies to address poverty and disadvantage in regional and rural areas, including:

- improved access to services;
- regional development strategies;
- job creation initiatives; and
- capacity building.

These approaches include strategies to improve access to universal services and, in addition, provide more targeted initiatives for rural and regional areas.

### *Improved access to services*

14.26 People living in rural and regional areas need greater access to a range of government and other services, including health, education, aged care, transport and other community services than is currently provided. Catholic Welfare Australia emphasised that decisions on the continuation of services such as transport, health, police, post offices and schools in rural areas should be influenced by social considerations, not purely economic factors.<sup>29</sup>

14.27 ACOSS suggested that the Commonwealth and State Governments should commit to national minimum standards of access to essential community services, including public health, education, and social welfare services. This commitment would help stem the loss of publicly-funded services in many areas of Australia. ACOSS suggested that the commitment should be implemented jointly by the Commonwealth and State Governments through the Council of Australian Governments (COAG) process.<sup>30</sup>

14.28 The Committee has made a number of recommendations in other chapters to address several of these issues, especially in the areas of health, education and housing. Provision of government and other services in rural and regional areas remains an urgent need that the Commonwealth and States Governments should address as a matter of priority.

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29 *Submission 148*, p.30 (Catholic Welfare Australia).

30 ACOSS, *Generating Jobs: Fifteen Strategies for Reducing Unemployment in Australia*, October 2001, p.28.

### ***Regional development strategies***

14.29 The need for regional development programs to address poverty and disadvantage in regional areas was stressed in some submissions. The Queensland Government noted that:

Regional development is an important tool to enable people in regional areas to participate in economic development and achieve sustainable increases in living standards. Without regional development, poverty and disadvantage in regional areas are likely to increase.<sup>31</sup>

14.30 VCOSS also noted that regional development strategies that focus on maintaining a proper share of economic development in rural and regional areas are needed to halt the rural decline. Such strategies should include a mix of business and industry stimulation, local education and training initiatives and social housing development.<sup>32</sup> Anglicare Victoria noted that it is often difficult to attract investment 'beyond a certain circle around metropolitan areas. Profits from industries are often not invested in local communities. There are often no employment alternatives when industries close down in rural areas'.<sup>33</sup>

14.31 States have implemented various regional development strategies. In Queensland, the most decentralised mainland State, the Government provides substantial infrastructure investment support to regional areas – in the 2002-03 Budget, \$2.1 billion of planned capital outlays (43 per cent of the total) were allocated to regions outside southeast Queensland. In addition to capital investment, the Office of Regional Development within the Department of State Development coordinates regional development policy and implements regional economic development projects from a whole-of-government perspective.<sup>34</sup> The Victorian Government has developed regional development projects and a major regional regeneration program based on public housing estates. The Government has also expanded job opportunities with more than a third of jobs growth occurring in rural and regional Victoria in recent years. In addition, the government has established a Regional Infrastructure Development Fund to maximise regional growth and development activities.<sup>35</sup>

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31 *Submission* 129, p.18 (Queensland Government).

32 *Submission* 118, p.12 (VCOSS). See also *Committee Hansard* 2.5.03, p.465 (CWA of NSW).

33 *Committee Hansard* 30.4.03, p.87 (Anglicare Victoria).

34 *Submission* 129, pp.18-19 (Queensland Government).

35 *Submission* 69, p.30 (Victorian Government).

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### ***Job creation initiatives***

14.32 Submissions and other evidence argued that job creation initiatives such as public infrastructure development programs and the encouragement of labour-intensive private sector services should be targeted to regional areas.

14.33 A number of submissions suggested that nation building projects could be undertaken. ACOSS argued for the implementation of a national public infrastructure development program targeted to disadvantaged regions, with priorities to include social infrastructure development such as public housing, hospitals and schools. The development program should be designed to generate jobs in two ways – in the construction of infrastructure, and by improving the efficiency of the regional economy. Contractors should be required to source as much of the labour for these projects from within the regions concerned, and to establish partnerships with local Job Network services to take on local unemployed people.<sup>36</sup>

14.34 Catholic Welfare Australia also proposed that nation building projects could be undertaken under collaborative partnerships between Government and business to deal more adequately with major environmental problems, including salinity and water management. The Government 'should target funding of such projects to areas of greatest disadvantage to stimulate employment and reduce poverty in those regions'.<sup>37</sup>

14.35 Submissions argued that governments should encourage the expansion of labour-intensive private sector services in regional centres, for example, by improving education and training and other public infrastructure and promoting tourism development. ACOSS noted that this is probably the most sustainable basis for employment growth in disadvantaged regions. Governments can help disadvantaged regions compete for employment opportunities by investing in education and training to improve a region's skills base. Institutions such as regional universities also generate jobs in their own right. Local public infrastructure such as roads could also be improved to help attract both employers and consumers.<sup>38</sup>

14.36 Evidence differed on the efficacy of using tax concessions or other subsidies to encourage employers to relocate to disadvantaged regions. Catholic Welfare Australia argued that governments should implement tax credit regimes as an effective wage subsidy for new jobs created in areas of greatest regional disadvantage. These arrangements would provide tax credits for employers in disadvantaged regional areas to take on additional employees. Similar schemes have been operating in several US states.<sup>39</sup> ACOSS, however, argued that the use of tax and other concessions are a

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36 Generating Jobs, p.29.

37 *Submission* 148, p.32 (Catholic Welfare Australia).

38 Generating Jobs, pp.29-30.

39 *Submission* 148, pp.31-32 (Catholic Welfare Australia).

costly way to improve job opportunities. They may have unintended consequences, for example, by drawing employers away from surrounding areas that may not be much better off. A related problem is the destructive competition between State Governments to attract private sector investment using these concessions.<sup>40</sup>

14.37 Submissions also argued that industries should be encouraged to decentralise and some government departments and agencies could be relocated to regional centres.<sup>41</sup>

### ***Capacity building***

14.38 Submissions emphasised the need for capacity building as a means of addressing poverty and disadvantage within communities. Mission Australia noted that it was important to 'build community networks so as to improve social capital, and to strengthen the capacity of communities to deal with the consequences of hardship'.<sup>42</sup> ACOSS noted that community capacity-building is often a crucial first step towards economic and social revival of disadvantaged regions – 'initiatives planned by local people are more likely to achieve their objectives than those that are delivered from the top down'.<sup>43</sup> There is a need for skilled facilitators to be employed to get communities organised, determine what actions need to be taken and mobilise the people of the community for their own betterment. Submissions noted that while it was important to draw on local community skills this should be combined with effective government resources and encouragement.<sup>44</sup>

14.39 States have implemented various community development programs. The Victorian Government has a community building program with a strong regional dimension which is complementary to its regional infrastructure development program.<sup>45</sup> The Queensland Government operates a community renewal program which works closely with local communities to promote a variety of projects, including those that provide increased employment and training opportunities and those that improve services and facilities.<sup>46</sup>

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40 Generating Jobs, p.30.

41 *Submission* 148, p.30 (Catholic Welfare Australia).

42 *Submission* 169, p.24 (Mission Australia).

43 Generating Jobs, p.29.

44 *Submissions* 163, p.154 (ACOSS); 148, p.30 (Catholic Welfare Australia).

45 *Submission* 69, p.30 (Victorian Government).

46 *Submission* 129, p.19 (Queensland Government).

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## Conclusion

14.40 The Committee believes that the poverty and disadvantage experienced in many rural and regional communities needs to be urgently addressed by all levels of government. The Committee considers that access to government services in such areas as health, education, housing and transport as well as other community services, such as banking, needs to be expanded in many regional areas to provide the necessary social infrastructure to enable these communities to function effectively.

14.41 The Committee also believes that Governments should play a key role in building up the economic infrastructure of these communities by developing national public infrastructure development projects, and maintaining and extending regional development and other job creation strategies. It is only by concerted and sustained government action that the disturbing urban-regional economic and social divide can be overcome.

### Recommendation 69

**14.42 That the Commonwealth and State Governments maintain and expand services in such areas as health, education, housing and transport to rural and regional areas.**

### Recommendation 70

**14.43 That the Commonwealth and State Governments set national minimum standards for access to essential community services, such as health, education and welfare services in rural and regional areas.**

### Recommendation 71

**14.44 That State Governments maintain and expand regional development strategies in rural and regional areas.**

### Recommendation 72

**14.45 That the Commonwealth Government develop a national public infrastructure development program targeted to regional areas focusing on such areas as transport, hospitals and schools.**

### Recommendation 73

**14.46 That State Governments encourage the expansion of labour-intensive private sector services in regional areas by improving education and training and other public infrastructure and/or providing tax concessions or other subsidies to encourage employers to relocate to regional areas.**

**Recommendation 74**

**14.47 That State Governments support local employment and social development initiatives in rural and regional areas.**



## CHAPTER 15

### OLDER PEOPLE, MIGRANTS AND REFUGEES

#### Older people

However poverty is measured, it is reasonable to assume that many people on pensions and superannuants/retirees receiving incomes in the same range as pensions can be defined as living in poverty. Unless they hold assets – such as their own home, or have investments (which would, at any rate, reduce the pension payment) and do not have large expenses going towards health or other essential services, pensioners and superannuants should be considered as living in poverty or, at the very least, vulnerable to poverty.<sup>1</sup>

15.1 Research undertaken by NATSEM indicates that the wealth of older Australians almost doubled between 1986 and 1997. This reflects their high home-ownership rate, growth in net value of shares owned and growth in accumulated superannuation benefits. Conversely, younger Australians (aged less than 45 years) held a declining share of total wealth.

15.2 The distribution of the growth in wealth differed with markedly higher wealth for couples than singles and somewhat higher wealth for single males than single females. However, 'the most profound movement' between 1986 and 1997 was the increase in the share of all older Australians' wealth held by the richest 5 per cent – up from about 67 to 71 per cent. The middle half of older Australians suffered a fall in their share of wealth, while the poorest older Australians saw a slight increase'.<sup>2</sup>

15.3 When looking at all Australian households, just over two-fifths (43 per cent) of all households headed by older Australians are in the lowest income quintile and four-fifths are concentrated in the two lowest income quintiles. Only three per cent are concentrated in the highest income quintile.<sup>3</sup> Single older women had the lowest income.

15.4 NATSEM noted that wealth is only part of the picture for older Australians. Government benefits – age and Veterans' pensions – play a particularly important role and labour market activity continues to make a contribution for a few older people. The proportion of government benefits as a percentage of the after-tax incomes of older Australians has declined from 62 per cent in 1986 to 57 per cent in 1997. NATSEM noted that 'this does not reflect a reduction in the levels of pension

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1 *Submission 223*, pp.2-3 (APSF).

2 Harding, A, King A & Kelly S, *Trends in the incomes and assets of older Australians*, NATSEM, Discussion Paper no. 58, June 2002, pp.11-12.

3 *Submission 172*, p.30 (Smith Family).

payments, which have been effectively indexed in line with earning, but rather the growing importance of private retirement incomes. As private incomes have increased, the means testing of the pension has compounded the fall in the contribution of government benefits to the incomes of older Australians'.

#### 15.5 NATSEM concluded that:

The growing diversity in the economic wellbeing of older Australians raises a number of challenges for policy makers. Most older Australians remain heavily dependent on the age pension, with increases in the rate of age pension and/or liberalisation of the income and assets tests continuing to be extremely important in determining the living standards of older Australians.<sup>4</sup>

15.6 While ACOSS noted that the benchmarking of pensions to 25 per cent of male total average earnings in the early 1970s resulted in a much lower risk of income poverty for older Australian than was the case in the 1970s, other researchers stated that 'the most striking trend' in the 1990s was the steady increase in poverty rates among the aged, up from 7.3 per cent in 1990 to 11.2 per cent in 2000. The increasing poverty rate, the ageing population and early retirement are resulting in the over 50s making up an increasing share of the poor.<sup>5</sup>

**Table 15.1: Estimates of Australians in poverty by age range, 1990 to 2000\***

	1990	1995	1996	1998	2000
<i>Poverty rates</i>					
50-64 years	10.6	10.8	11.9	11.7	11.5
65 years & older	7.3	7.2	8.3	9.7	11.2
<i>Proportion of those in poverty</i>					
50-64 years	17	17	19	18	19
65 years & older	9	9	10	12	13

\*Using the before-housing half average income poverty line (Henderson equivalence scale)

Source: Harding, Lloyd & Greenwell, p.17.

15.7 While Table 15.1 gives a general overview of the position of older Australians, there are particular groups of older people who are more likely to be at risk of poverty than others including older people in private rental with no private income; women;

4 Harding, King and Kelly, pp.14-15, 17.

5 *Submission 163*, p.35 (ACOSS); Harding A, Lloyd R & Greenwell H, *Financial Disadvantage in Australia 1990 to 2000: The persistence of poverty in a decade of growth*, Smith Family, 2001, p.17.

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single people reliant on the full age pension – often women; and those on pensions or allowances for a very long time with no potential for improving their income.<sup>6</sup>

### ***Factors contributing to poverty of older Australians***

15.8 COTA pointed to a number of factors that contribute to an increased risk of poverty for older people. For those 50 to 64 years of age, the factors include: unemployment and underemployment; dependent family members; and inadequate income support. For the 65 plus age group, factors relate to inadequate retirement income; increasing housing costs; ill health and disability.

### ***Changing industrial conditions***

15.9 COTA argued that one of the factors contributing to the poverty of older Australians has been the change in industrial conditions including industry and labour market restructuring. There has been growth in jobs but these have been part-time, casual and contract work with no security of tenure. There has also been an increase in jobs in the services sector, though often part-time or casual, and a decrease in jobs in the manufacturing sector. There are also now few jobs in rural Australia.

15.10 The numbers of older men in the workforce have declined over time. 88 per cent of men aged 50 to 59 were in the labour force in 1973 declining to 74 per cent by 1998. The change for those in the 60 to 64 year age group was more dramatic: declining from 76 per cent in 1973 to 46 per cent in 1998.<sup>7</sup> COTA commented that this has had a dramatic effect on older Australians so that:

- almost half (46 per cent) of Australians aged between 50 and 64 years are not in paid employment;
- a third of Australians aged between 50 and 64 years are reliant on some form of social security payment as their primary source of income; and
- over 50 per cent of people move onto the age pension from a working age income support payment.

15.11 The Department of Family and Community Services (FaCS) also noted changes in labour market participation. Women have demonstrated a strong upward shift in labour force participation across all age ranges, other than the youngest (reflecting higher education participation) and the very oldest. However, over the longer term the participation of men has fallen for all age groups, especially amongst older age groups. As a result of these changes, a quarter of men and half of women in the 55-59 year age range are not in the labour force. Taken together, the increase in life expectancy and the propensity towards early retirement, mean that people are

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6 *Submission* 184, p.10 (COTA National Seniors Partnership).

7 *Submission* 184, p.11 (COTA National Seniors Partnership).

going to spend longer in retirement. An OECD study reported that between 1970 and 1999, life expectancy at effective retirement age for Australian men increased from 12.6 years to 18.7 years, and for women from 17.7 years to 23.4 years.

15.12 However, as people retire earlier, retirement savings must last longer or living standards, in both absolute and relative terms, may be affected. FaCS concluded that this highlights the importance of maximising economic participation while people are of workforce age. Any periods out of the workforce affects capacity to accumulate retirement savings. Early retirees risk reducing their retirement savings by not only reducing the period during which they can accumulate savings, but also by drawing on those savings over a longer period.<sup>8</sup>

15.13 FaCS indicated that people aged 50 years and over are one of the target groups for the *Australians Working Together* package. The changes introduced through the package are aimed at helping mature age people to maintain an active lifestyle and enable them to contribute more to the workplace and the community. Targeted assistance is provided for the specific needs and circumstances of mature age people in order to overcome the difficulties they face in gaining work.

15.14 Community engagement is also encouraged through Commonwealth programs. Components include the Stronger Families and Communities Strategy where older Australians have been identified as a key target group. Programs include: encouraging community participation through projects such as the voluntary work initiative, designed specifically to support income support customers, particularly those aged 50 and over; a matching and referral service to voluntary organisations; supporting grandparents who have caring responsibilities; and, the Prime Minister's community business partnership which encourages businesses in local regions to generate opportunities for older workers and other groups.<sup>9</sup>

### ***Unemployment, underemployment and low wages***

15.15 Age appears to be a significant barrier to employment in Australia. A study conducted by the FaCS with mature aged participants revealed that 66 per cent of those surveyed rated their chances of finding work as 'poor' or 'very poor' and 82 per cent cited age as a barrier to work. Many of the participants cited retrenchment as the reason for stopping work in their last job.

15.16 A recent study also underlined the employer's unwillingness to engage older workers, particularly mature aged women. Employers view older workers as being less able to adapt to new technology, not worth training, not interested in their work and not having the physical strength or mental alertness of their younger colleagues.<sup>10</sup>

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8 *Submission* 165, pp.29-30 (FaCS).

9 *Submission* 165, pp.40-41 (FaCS).

10 Nixon, S 'Older staff not worth training, say bosses', *The Sydney Morning Herald*, 7.10.03.

The Committee also heard evidence that some employers are very wary of employing older workers because of possible higher costs. In the Newcastle area for example, there is intense competition for factory jobs. However, applicants must pass fairly stringent medical requirements. The Samaritans Foundation commented:

You have got to have a sound back, good grip and all that sort of stuff, and no major injuries. Older people tell me they have had very little success in getting jobs in large factories. I think one of the problems we have in this region, and probably in every other region, is that most large employers these days are terrified about workers compensation costs and they screen out people that they think would be a risk for them in that area.<sup>11</sup>

15.17 Many older workers can only access part-time, casual or contract work. While there are advantages in undertaking this type of work, there are also significant disadvantages including low wages, long hours, the possibility of exploitation, increased travelling time and difficulties in securing payment on completion of projects. ABS surveys indicate that many part-time workers want to work more hours. In the 45-54 cohort around 13 per cent of women and over 18 per cent of men wanted more hours while in the over 55 cohort over 6 per cent of women and approximately 8 per cent of men were looking for increased working hours.<sup>12</sup>

15.18 Low wages are still prevalent in many sectors including the footwear, clothing and textile industry. COTA noted that the low hourly rates of pay means that those who are working full-time may not necessarily be better off than those on allowances and pensions who may also be entitled to additional non-cash benefits.

15.19 ACOSS warned that:

...the inexorable rise in joblessness among mature age workers means that more people are being forced to draw down their assets earlier than they expected. Enforced joblessness among mature age workers, together with declining rates of home ownership, could increase the extent of poverty in old age in future years, just as the wider spread of superannuation is improving the living standards of the majority of retirees. Those most at risk are single mature age people with limited vocational skills, living in rented accommodation.<sup>13</sup>

### ***Changing nature of families***

15.20 COTA argued that another factor contributing to poverty for older Australians is the changing nature of families. Increasingly older people have responsibilities caring for children, partners and older parents, and this affects their ability to

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11 *Committee Hansard* 29.5.03, p.566 (Samaritans Foundation).

12 *Submission* 184, p.12 (COTA National Seniors Partnership).

13 *Submission* 163, p.96 (ACOSS).

participate in the workforce. For example, between December 2000 and December 2002 the numbers of people receiving Family Tax Benefit (paid to primary carers of children) increased 33 per cent in the 55-59 year age group and 16.5 per cent in the 50-54 year age group. The largest group of carers in 2002 were people in the 50-59 age group who made up 41 per cent of recipients and were predominantly providing care for their partners.<sup>14</sup>

15.21 Older Australians who have been out of the workforce because of family responsibilities, or who try to juggle those responsibilities and work, particularly face difficulties in finding work as mature age jobseekers.

### ***Government income support***

15.22 Australians aged over 65 years are concentrated at the bottom of the income spectrum with older Australian households making up 43 per cent of all low-income households. These figures are reflected in analysis of disposable incomes of older Australians with 96 per cent of all adults living within low income older households reporting that they received pensions and allowances. Of those older Australians receiving income in the top/high income quintile, 24 per cent received pensions and allowances.<sup>15</sup>

15.23 COTA also noted that in 1999-2000 one third of people aged 55-64 and three quarters of those aged 65 and over relied on pensions and allowances as their principal source of income. Single females rely more on government benefits than do couples or single males. This directly reflects the lesser opportunity that single females had to save for retirement ACOSS also commented that older people are most likely to be fully reliant on social security for prolonged periods, whether they receive unemployment allowances, mature age allowances, various payments for mature age women, or the Disability Support Pension. This reflects the very poor employment prospects of mature age people with limited skills.<sup>16</sup>

15.24 In this same period, almost half (46 per cent) of Australians aged 50 to 64 years were not in paid employment.<sup>17</sup> This group is also most likely to be amongst the long term unemployed – on average 2 years – and once they lose a job it is quite difficult to re-enter the workforce. Almost 30 per cent of these people receive income support. Of these, 87 per cent receive pensions or non-activity tested allowances. FaCS also noted

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14 *Submission* 184, p.13 (COTA National Seniors Partnership).

15 *Submission* 172, pp.22,30 (Smith Family). Analysis based on equivalent disposable income for each household using the OECD equivalence scale.

16 *Submission* 163, p.95 (ACOSS).

17 *Submission* 184, p.10 (COTA National Seniors Partnership).

that most people who come onto payment of income support after the age of 50 do not leave, but simply move on to the age pension.<sup>18</sup>

**Table 15.2: Principal source of income for people aged 55-64 and over 65 in 1999-2000**

<i>Principal source of income</i>	<i>Age 55-64</i>	<i>Age 65 and over</i>
Wages and salaries	43.4	3.1
Own unincorporated business	8.9	1.8
Government pensions and allowances	33.6	74.1
Other	12.1	19.6

*Source: Submission 184, p.10 (COTA National Seniors Partnership).*

15.25 Mission Australia warned of 'an impending crisis' for those workers who are over 45 years and looking for work. Often these workers have been forced into early retirement. This brings the customary difficulties of no work as well as the extra burdens of family responsibilities, mortgages and children's education. They are also less able to follow employment prospects, given their family responsibilities.<sup>19</sup>

15.26 Witnesses emphasised the need for older workers to access affordable training opportunities or skill recognition services so that they are equipped with the capacity to gain, hold and advance in their jobs. SDA stated that 'such a move should be seen as a preventative strategy designed to prevent older workers ending up on unemployment lists'.<sup>20</sup>

## **Recommendation 75**

**15.27 That the Commonwealth increase support to educational and other programs which enable older Australians to remain active members of the workforce.**

15.28 COTA noted that there are significant numbers of unemployed mature aged people who are not eligible for income support due to the social security assets test. These people must use up their assets while searching for employment. COTA stated that 'this runs counter to what should be a primary goal of retirement incomes policy – protection of assets for retirement and old age'. COTA also noted that the level of Newstart Allowance is considerably lower than the old age pension and without the same fringe benefits. COTA National Seniors recommended that Newstart Allowance

<sup>18</sup> *Submission 165, p.30 (FaCS).*

<sup>19</sup> *Submission 169, p.14 (Mission Australia).*

<sup>20</sup> *Submission 50, p.11 (SDA).*

be increased or replaced for mature aged people with another payment more realistically reflecting the duration of unemployment older unemployed people are likely to experience and lifting the income test for this payment to the same level for a pension income.<sup>21</sup>

15.29 Older women, particularly single older women, are at risk of poverty. If older women have no income other than a pension, they are most likely to experience hardship. The Older Womens Network study found that 'there was a unanimous view that the single age pension is too low to provide an adequate income in retirement'.<sup>22</sup>

15.30 COTA supported the view that older people on full pensions and allowances continue to struggle to make ends meet. The GST, increased user pays, removal of some medications from the PBS and pressures on services such as dental care were referred to as having all played a part. The GST was seen as a major impetus for price increases in the areas of insurance, gas, electricity and household services including repairs, gardening and maintenance. COTA recommended:

- an ongoing increase of \$300 indexed or 3 per cent in the incomes of all pensioners and allowees aged 50 and over who are reliant on social security incomes;
- revision of the social security assets test for mature age people to more realistically reflect lifecycle factors affecting savings and to be cognisant of the retirement savings requirements of older Australians. This may lead to the development a graduated age-related assets test;
- Newstart Allowance for older unemployed people should be increased or replaced with another payment that more realistically reflects the duration of the unemployment they are likely to experience: the current level of a pension payment would be appropriate;
- defer abolition of Mature Age Allowance until there is an improvement in employment rates for people 60 and over;
- increase the income test-free area to remove the disincentive for pensioners to seek paid work; and
- introduce an earnings credit scheme for pensioners to enable them to take on casual or irregular paid employment to supplement their income.<sup>23</sup>

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21 *Submission* 184, p.14 (COTA National Seniors Partnership).

22 *Submission* 184, p.14 (COTA National Seniors Partnership).

23 *Submission* 184, pp.19-20 (COTA National Seniors Partnership).



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### ***Inadequate retirement income***

15.31 A large proportion of older Australians have not had the means to establish an adequate income for their retirement. They may have been in low paying jobs, been unemployed for periods of time, experienced underemployment or had family responsibilities which precluded employment or full-time employment. These people have not had the same opportunity to save for retirement and are more likely to be reliant on allowances in the short term and pensions and benefits later in life.

15.32 One group which provided evidence of the difficulties of providing adequately for retirement was Carers Australia. Many people who have caring responsibilities are unable to work, are forced to retire from work early, have disrupted employment or work in part-time or casual or low paying jobs. These situations mean that carers have a reduced capacity to save for retirement, particularly women in the middle age group who often have limited opportunity to work and accumulate superannuation. In addition, caring often involves unexpected high expenses such as house or car modifications which require large amounts of capital.

15.33 Carers Australia noted that current retirement income policies providing incentives for people to work longer through measures, such as the Pension Bonus Scheme, mean that carers are again disadvantaged.<sup>24</sup>

### **Recommendation 76**

#### **15.34 That the Commonwealth Government review the special needs of ageing carers in relation to retirement income and income support.**

15.35 While there has been an increase in superannuation coverage generally in Australia, older women have also been less likely to have access to adequate superannuation. Lower earnings and time out of the workforce caring for family means a smaller superannuation payout. There has also been concern that the impact of the Superannuation Guarantee will not be felt until after the year 2020 and that even an increase in the compulsory superannuation contribution rate will only improve the situation for baby boomers if they do not take early retirement.<sup>25</sup>

15.36 COTA argued that part-time work is an important means of supplementing the pension for some and is also an important transition between full-time work and retirement.

15.37 COTA suggested a number of ways in which older Australians could build capacity for financial self-sufficiency:

- provide incentives to encourage workers to delay retirement;

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24 *Submission 33*, p.8 (Carers Australia).

25 *Submission 184*, p.15 (COTA National Seniors Partnership).

- encourage workers to save for their retirement by improving superannuation arrangements;
- expansion of the Pension Bonus Scheme: currently this scheme is targeted at people of age pension eligibility age who are in employment. This could be broadened to provide stronger incentives for people to remain in employment for between one and four years and could also allow older people who have already received an Age Pension to take advantage of the scheme if they have opportunities to return to work;
- earnings credit scheme: the effect of additional earnings on social security payments frequently acts as a disincentive for older people to take up part-time or casual employment. COTA National Seniors recommended the implementation of an earnings credit scheme to average earnings out over the course of a year and thereby encourage 'periodic' or 'seasonal' work;
- home equity conversion: for older Australians who own their own home there is an opportunity to 'unlock' its value through appropriate equity conversion products. COTA noted that for some people with only modest housing value, privately delivered home equity conversion products may not be feasible, however a government guaranteed product could be considered; and
- improving incentives for extra earnings: many older people on pensions face disincentives for part time and casual work due to the social security income test. COTA National Seniors recommended a review of these disincentives in order to encourage older people to take up paid employment where this is possible. Mature age people on allowances (other than the age pension) will benefit from improvements in this area as a result of the Government's Welfare Reform process with the introduction of the Working Credit scheme. Similar incentives need to be available for Age Pensioners.<sup>26</sup>

15.38 The Committee considers that home equity conversion scheme may provide benefit to older Australians wishing to use the equity in their homes to provide for a better standard of living. However, adequate safeguards need to be in place to ensure that older people are not the targets of unscrupulous practices.

### **Recommendation 77**

**15.39 That the Commonwealth, in conjunction with the State and Territory Governments, ensure that there are adequate guidelines in place to protect older Australians who use home equity conversion products.**

15.40 FaCS has recognised the impact of the ageing population on government spending and stated that 'the structure of Australia's "three-pillar" approach to retirement incomes means we have in place arrangements which have the potential to enable us to manage the impact of our ageing population and to deliver appropriate standards of living to retirees. These pillars comprise:

- means tested age and service pension payments;
- compulsory employer superannuation contributions; and
- voluntary superannuation and other private savings, including home ownership.<sup>27</sup>

15.41 FaCS also provided evidence on Centrelink's Financial Information Service (FIS) which provides an independent, free and confidential service to the community that encourages and assists people to maintain or improve their standard or living by planning effectively for retirement and maximising overall retirement income. The service is provided by seminar, by interviews or by phone.<sup>28</sup>

### ***Housing and aged care***

15.42 As with other groups in the community, the cost of housing has a large impact on the poverty rate of older Australians. After housing poverty rates have been increasing over the last decade for those aged 45 years and over (see Table 15.3). The poverty rate after housing for older Australians is generally lower than younger Australians, reflecting the tendency for the costs associated with housing to decline with age as incidence of home ownership increases amongst older people. On average older Australians devote only 11.1 per cent of their total spending on their home, while the average for all Australian households is 14 per cent.<sup>29</sup>

15.43 While three quarters (76.8 per cent) of people aged 60 and over own their own homes, those who do not own their own home face a greater risk of poverty as their living costs are much higher. Rental costs may account for a large proportion of total weekly expenditure. The reduced public housing stock also means that older people may have to rent privately while waiting for public housing. COTA noted that a major concern is that the increased reliance on the public rental market is placing pressures on older people who do not qualify for residential aged care.

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27 *Submission 165*, p.28 (FaCS).

28 *Submission 165*, Additional Information, 20.6.03 p.2 (FaCS).

29 *Submission 172*, p.30 (Smith Family).

**Table 15.3: Estimates of poverty rates, before- and after- housing, by age range, 1990 to 2000\***

	<i>1990</i>	<i>1995</i>	<i>2000</i>
<i>Before housing</i>			
45-54 years	8.8	9.5	10.4
55-64 years	11.2	11.3	13.3
65 years & older	7.3	7.2	11.2
<i>After housing</i>			
45-54 years	12.1	11.3	13.5
55-64 years	10.1	11.5	14.4
65 years & older	6.1	6.1	7.3

*\*Using the before-housing half average income poverty line (Henderson equivalence scale)*

Source: Harding, Lloyd & Greenwell, p.19

15.44 There is also homelessness among older Australians. In 2001-02, the over 50 year age group accounted for 8.6 per cent or 8,170 of SAAP's clients. It is estimated that 250,000 people aged over 60 years are homeless or at risk of homelessness. These are people who rent, live in boarding houses or are homeless, with an income under \$12,000 per annum.<sup>30</sup> It is extremely easy for older people in tenuous accommodation with a very low income to experience an event, such as an unexpected expense, which leads to the loss of accommodation. COTA noted that this group of older people requires intensive support to remain independently and appropriately housed and to break the housing-homelessness cycle. Melbourne Citymission stated:

This is a group that is largely hidden and particularly vulnerable. There would be little debate that the frail homeless represent one of the most disadvantaged groupings in our society and must be taken into account in planning future aged care services.<sup>31</sup>

15.45 Recent research also points to the importance of housing and the well-being of older people. Those older people who are home-owners and private renters who have the means to make choices, tended to be in a more advantageous position than older people living in public rental accommodation. Public renters are more likely to suffer from depression, poor morale, poor general well-being and they are less likely to be satisfied with aspects of their life. Certain aspects of housing appear to influence well-

30 *Submission 29*, pp.4,6 (Combined Pensioners and Superannuants Association of NSW).

31 *Submission 77*, p.13 (Melbourne Citymission).

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being for older people. These include location, comfort and homeliness. Older people also identified home modification and maintenance as important issues.<sup>32</sup>

15.46 APSF noted that recent increases in housing prices in capital cities precluded many from purchasing homes and was one factor contributing to homelessness. Another significant factor is the lack of commitment to public housing by both State and Commonwealth Governments. APSF argued that the Commonwealth Rental Scheme was inadequate and that there is no real choice when it comes to housing options. It stated that even the most squalid property on the private rental market can be unaffordable. A single age pensioner receives \$492.40 per fortnight (Sept 2002) and even with rent assistance it is hard to find any suitable premises to rent for less than \$300 per fortnight in many cities.<sup>33</sup>

15.47 Residential aged care is another area where poverty severely limits choice for the elderly. Accommodation bonds for entry into aged care facilities, while negotiable, still must be paid by the pensioner or their family. Melbourne Citymission voiced concern that as individuals are increasingly called on to pay a proportion of the costs of care, those without means 'will see access and availability of quality care move out of reach'. Or, as APSF noted, those in less well-off circumstances will find themselves choosing between substandard facilities.<sup>34</sup>

15.48 Melbourne Citymission argued that if the market is unlikely to meet the needs of less well-off aged persons, than 'subsidised accommodation in residential care needs to continue to be available for people with few resources'.<sup>35</sup>

15.49 The Brotherhood of St Laurence also noted the difficulties of older homeless people finding appropriate aged care accommodation. Mainstream aged services are reluctant to take on marginalized people as extra staff resources are usually required (for example, for cleaning and dealing with challenging behaviours) but not recognised in funding formulae. The Brotherhood argued that additional resources must be committed to ensure these people gain access to aged care accommodation or appropriate levels of community care.<sup>36</sup>

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32 Faulkner, D & Bennett, K, *Linkages among housing assistance, residential (re)location, and use of community health and social care by old-old adults: shelter and non-shelter implications for housing policy development*, AHURI, April 2002, pp.66-68.

33 *Submission 223*, p.8 (APSF).

34 *Submissions 77*, p.14 (Melbourne Citymission); *223*, p.8 (APSF).

35 *Submission 77*, p.14 (Melbourne Citymission).

36 *Submission 98*, p.26 (Brotherhood of St Laurence).

## **Recommendation 78**

**15.50 That the Commonwealth Government provide additional funding for programs which provide support services for the aged homeless including additional funding to ensure greater access to aged care accommodation.**

### ***Ill health and disability***

15.51 The cost of health care and the impact of ill health on older people was discussed in evidence. Access to Medicare and the decline in doctors who bulk bill were particular concerns raised with the Committee. Without bulk billing, individuals are increasingly required to bear some of these costs. This puts extra pressure on those with already limited incomes. One witness from a NSW regional city stated:

Goulburn has 6000 aged pensioners now burdened without hope, to a life deprived of access to medical treatment when necessary. Coupled with the total absence of a viable transport service within the City environs to gain access to medical services plus the impossible task of saving the required \$40-\$50 doctors fee pensioners live with the soul-destroying burden of existing with untreated disorders and disabilities.<sup>37</sup>

15.52 The Combined Pensioners and Superannuants Association stated that in one rural NSW electorate, only 39.9 per cent of doctors bulk billed in the twelve months to September 2002. The Association noted that such a low number of bulk billing practices would be difficult in an urban area but in a rural area people are required to travel great distances to find a doctor who bulk bills. People are admitted to hospital when their condition worsens or to access low cost health services.<sup>38</sup>

15.53 Concerns were also expressed about the increased cap on other services such as radiology and the costs of the Pharmaceutical Benefits Scheme.

15.54 In addition, while ill health can lead to poverty through the increased costs involved for individuals, a high level of stress and social isolation as a result of inadequate income can also have negative long term effects on the health of older people.<sup>39</sup>

### ***Rate payments***

15.55 The APSF noted that with the increasing valuations of properties, local government rates have increased substantially and the ability of low income homeowners including pensioners to pay their rates is diminishing. The Women's

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37 *Submission 6*, p.2 (Mr D Cox).

38 *Submission 29*, p.10 (Combined Pensioners and Superannuants Association of NSW).

39 *Submission 184*, p.17 (COTA National Seniors Partnership).

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Action Alliance noted that the concession for many people used to be up to 50 per cent of rates, now in many cases it is less than 25 per cent.<sup>40</sup> Older people are finding that they must sell their homes and move elsewhere.

15.56 APSF noted that in NSW, the Pensioner Rate Rebate has been frozen at \$250 per year since prior to the 1993 Local Government Act. The Federation suggested that the Commonwealth increase funding through its Financial Assistance Grant to Local Government for the Pensioner Rate Rebate. Such a move would assist in not only alleviating poverty by also in preventing the disruption of pensioners' lives.<sup>41</sup>

### ***Conclusion***

15.57 Poverty for aged Australians may mean living on the streets or in extremely poor accommodation, not being able to purchase necessary food and medication, or having to leave a family home because of the inability to afford rates and maintenance expenses. Poverty for older Australians is exacerbated when there are caring responsibilities for a disabled partner or for children, an increasingly common occurrence.

15.58 Many aged Australians look back on lifetimes in low paid work, part-time or casual work or, for women, an interrupted working life. Often older workers have found themselves on the job market quite late in life as a result of changes in industry and a generally negative view of older workers. Older Australian workers must have the opportunity to access training opportunities and skill recognition services so that they may improve their employment prospects.

15.59 Many older Australians have not had the opportunity to build assets through the purchase of a home or through superannuation. They are fully dependent on government income support; they are particularly vulnerable to the fluctuations of the rental market; and they often face high costs through ill health and special needs. The Committee considers that disadvantaged older Australians should have access to adequate income support, health care and aged care services.

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40 *Submission 51*, p.7 (WAA).

41 *Submission 223*, p.12 (APSF).

## **Migrants and refugees**

15.60 Many witnesses gave evidence on the difficulties faced by migrants and refugees. For migrants and refugees, the unemployment rate is generally above the national average in all categories except for those on business visas and is worst amongst humanitarian visa holders.<sup>42</sup> In particular, the two year waiting period for income support for migrants and refugees on Temporary Protection Visas (TPV) was seen as adding greatly to the group's risk of poverty and homelessness.

### ***Protection Visas and eligibility for entitlements***

15.61 The Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) stated that those who enter Australia lawfully on genuine documents are granted permanent Protection Visa (PV), which gives permanent residence. Those found to be owed protection obligations but who have entered the Australian mainland unlawfully or on fraudulent documents, are granted a Temporary Protection Visa (TPV), which gives residence for three years.

15.62 A permanent Protection Visa entitles a refugee to:

- work rights;
- access to welfare benefits;
- access to Australia's public health system;
- permission to travel and enter Australia for five years after grant;
- eligibility to apply for citizenship after two years permanent residence;
- English language training through the Adult Migrant English Program; and
- family sponsorship.

15.63 TPV holders are entitled to:

- work rights and Job Matching from Centrelink;
- eligibility for Special Benefit, Rent Assistance, Family Tax Benefit, Child Care Benefit, Double Orphan Pension, Maternity Allowance and Maternity Immunisation Allowance;
- access to Medicare benefits;

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42 *Submission 153*, p.4 (Immigrant Women's Speakout Association of NSW).



- eligibility for referral; to the Early Health Assessment and Intervention Program;
- eligibility for torture and trauma counselling; and
- minors are eligible for the Commonwealth-funded *English as a Second Language – New Arrivals* program to assist with their participation in school classroom activities.

15.64 TPV holders are ineligible for other entitlements including Newstart, Parenting Payment, Youth Allowance, or Austudy. Access to school education is subject to State policy, for example, in NSW payment for tuition at school level is required. They cannot apply for HECS and thus must pay full up-front fees for tertiary education.<sup>43</sup>

15.65 DIMIA indicated that most protection visa (PV) applicants are eligible for bridging visas that allow them to remain in Australia lawfully until the PV applications have been finalised. The Commonwealth provides a range of support services for some asylum seekers on bridging visas while the PV applications are processed. These can include:

- access to work rights;
- access to Medicare;
- financial assistance for basic living essentials through the Asylum Seeker Assistance Scheme; and
- assistance preparing their protection application through the Immigration Advice and Application Scheme.

15.66 If asylum seekers have been in Australia for less than 45 days, in the 12 months before the date of their application for a PV, they are eligible for a bridging visa with permission to work and access to Medicare benefits. The Department noted that even where they do not apply for a PV within the 45 days, in some cases PV applicants will be able to apply for a bridging visa with permission to work if a primary decision has not been made on their PV application within 6 months.<sup>44</sup>

15.67 Witnesses noted that bridging visas are complex and 'come with considerable restrictions which have a direct impact on the ability of the holder and their dependants to obtain a viable level of income'.<sup>45</sup> Holroyd City Council voiced concern over visas given in recent cases to asylum seekers who have agreed to be repatriated

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43 *Committee Hansard* 28.5.03, p.486 (Holroyd City Council).

44 Department of Immigration & Multicultural & Indigenous Affairs, Information provided 17.10.03.

45 *Committee Hansard* 28.5.03, p.485 (Holroyd City Council).

to their country of origin. When this cannot be accomplished, the length of time before the Government will be able to bring about their repatriation is unknown. The Council stated that 'the courts have ruled that these people cannot be held indefinitely in detention, so they have been released. They have no access to benefits or services.'

The House of Welcome, a volunteer agency just down the road in Carramar which receives no government funding, has advised that these people are given a card with only a number on it, not even their name. They have to telephone five times a week to report in – 'I am number 134' or whatever; that is the monitoring – and they have to present to the police twice a week and show their card. They are completely without resources: they have no income, no right to work and no support system, except for agencies or volunteers such as the House of Welcome.<sup>46</sup>

15.68 Many refugees face a range of on-going issues on arrival in Australia. Holroyd City Council indicated from the experience of those working with TPV holders, that this group was made more vulnerable by:

- the traumatization, depression and demobilisation which can result from long stays in detention facilities;
- depression and despair over apparent indefinite separation from spouse and children;
- uncertainty about the future due to temporary visas;
- alienation from the rest of the Australian community due to perceived views on detainees and absence of support programs which they can access;
- poverty as a result of difficulties in obtaining employment without access to language and job seeker programs, recognition of overseas qualifications, or local labour market experience.<sup>47</sup>

15.69 TPV holders also face a number of barriers to finding employment including lack of English language skills and lack of access to classes; lack of access to programs to assist in how to apply and translate their work experience to Australia; lack of local work experience; no access to translation services; employer attitude to temporary visa holders; and community prejudice against certain ethnic groups.

15.70 Holroyd City Council noted that while TPV holders are eligible to use the Job Network job matching service and the physical facilities at Centrelink (fax, photocopier etc), they are ineligible for the more intensive programs which are designed for people facing additional barriers to finding work. They are also ineligible

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46 *Committee Hansard* 28.5.03, p.487 (Holroyd City Council).

47 *Submission* 142, p.23 (Holroyd City Council).

for those programs designed to provide interest free loans to assist people with overseas qualifications to undertake study towards gaining professional recognition (National Office of Overseas Skills Recognition) or the Work for the Dole scheme which provides local experience.<sup>48</sup> When work is found, there is the danger of exploitation. The Immigrant Women's Speakout Association NSW (IWSA) noted that the NSW Labor Council is currently pursuing cases where TPV holders are being exploited and paid subsistence wages.<sup>49</sup>

15.71 TPV holders are paid Special Benefit which is 80 per cent of the normal unemployment benefit. No additional benefits are available for people with disabilities and benefits are reduced on a dollar for dollar basis when additional income is earned. Conditions such as the requirement to lodge forms fortnightly and to demonstrate that employment has been sought from a minimum of six employers per fortnight are applied. This is 'a complex and demanding program for someone whose English language skills are likely to be poor and whose knowledge of the Australian welfare system is more or less non-existent'.<sup>50</sup>

15.72 Many witnesses emphasised the need for refugees and asylum seekers to access English language classes. The Canterbury-Bankstown Migrant Resource Centre stated that 'the extent to which migrants and refugees have access to English tuition will affect the level of poverty and inequality that they experience in Australia'.<sup>51</sup> The Centre noted that refugees who arrived in Australia with a humanitarian visa are far more likely than other refugee groups to lack English language skills. Refugee women are also more likely to experience further disadvantage in accessing English language learning opportunities due to their domestic and care responsibilities and commitments. The Resource Centre concluded that 'the inability to completely master the English language will therefore impact on every aspect of settlement for migrants and refugees and their experience with poverty and inequality'.<sup>52</sup>

15.73 Agencies indicated that supporting refugees and asylum seekers was placing a great strain on resources. The Fairfield Migrant Resource Centre indicated that it had the largest refugee population in Sydney, with a large number of people on TPVs and asylum seekers on bridging visas. The Centre stated that it was forced to turn away people on bridging visas because it cannot provide the food vouchers and emergency assistance they need. The Centre concluded 'these bridging visas are causing

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48 *Submission* 142, p.24 (Holroyd City Council).

49 *Submission* 153, p.9 (IWSA).

50 *Submission* 142, p.24 and *Committee Hansard* 28.5.03, p.486 (Holroyd City Council).

51 *Committee Hansard* 28.5.03, p.505 (Canterbury-Bankstown Migrant Resource Centre).

52 *Submission* 146, p.3 (Canterbury-Bankstown Migrant Resource Centre).

considerable strain on community welfare resources in Fairfield, which were already struggling to support the current refugee and migrant population'.<sup>53</sup>

15.74 Holroyd City Council indicated that it was involved with a number of its local service partners in providing services to TPV refugees. Where appropriate these customers are also referred to agencies which can assist with material aid, family support and counselling. The Council stated that these services are, however, being provided at the margin – they are usually unfunded and always vulnerable to withdrawal.

15.75 The Council added that newly emerging communities, themselves refugees, recently arrived and significantly under-resourced, are faced with attempting to support an even more vulnerable group. The poverty and uncertainty created by the restrictions on access to services for TPV refugees threatens to undermine the community and charity work of those who are trying to help. Those often best equipped to support – such as DIMIA funded Migrant Resource Centres or ethnic-specific organisations – are prevented from doing so by the very specific restrictions placed on their grants by the funding body.<sup>54</sup> The Council noted for example, that the ethnic community agencies like that of the Afghan community, have a grant from the Community Settlement Service Scheme. They cannot provide services to TPV holders in their community and, as a very small agency, it is very difficult and divisive to be providing to one section of your community and not the other.<sup>55</sup>

15.76 The Council concluded:

The organisations which therefore have the most expertise in dealing with the complex issues facing TPV refugees are excluded from providing help. As a result, generalist agencies and small agencies for newly arrived communities to which TPV holders might belong are struggling to meet their support needs. Council are concerned about what we see as a significant stress on existing agencies as well as an inability to meet the needs of the people who are presenting for help.<sup>56</sup>

15.77 The Victorian Government commented that 'the responsibility for refugees and asylum seekers is being shifted from the Commonwealth to the States, the churches and community organisations'.<sup>57</sup>

15.78 The IWSA concluded:

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53 *Submission 62*, p.7 (Fairfield Migrant Resource Centre).

54 *Submission 142*, p.24 (Holroyd City Council).

55 *Committee Hansard 28.5.03*, p.486 (Holroyd City Council).

56 *Committee Hansard 28.5.03*, p.486 (Holroyd City Council).

57 *Submission 69*, p.11 (Victorian Government).

...income support should be viewed as an investment in Australia's future in that with well-designed income support, many of the negative impacts of poverty can be avoided. Immigrant communities and immigrant women in particular would have the chance to build their employment possibilities and to move out of poverty in a way that affirms their dignity and empowers them as members of their community and the Australian society. Negative correlates of poverty in our experience seem to be submission to situations of violence or abuse because there is no economic alternative obvious to the immigrant woman; flow on effects to children; and an incapacity to take up training and educational possibilities which would have long-term benefits. In some cases, we see very poor and inadequate diets that affect health and performance in daily life. These negative consequences give rise to social and economic costs many times greater than well-designed early interventions that would prevent the negative effects of poverty arising.<sup>58</sup>

### ***Waiting periods for migrants accessing income support***

15.79 Migrants entering Australia under the skilled or family streams also face restrictions on access to services. Witnesses noted that the *Social Security Legislation Amendment (Newly Arrived Resident's Waiting Periods and other Measures) Act 1997* introduced a two-year waiting period for social security income support payments except the age pension, sole parent pension and disability support pension (which already had a residency-based qualification criteria) and the family payment. ACOSS stated that this 'is causing extreme hardship for many migrants attempting to settle here and find work – particularly for those whose funds run out before work is found'. Special Benefit may be paid in extreme circumstances but most migrants are excluded from receiving it, and 'increases their risk of poverty, destitution, and exploitation in the labour market'.<sup>59</sup>

15.80 The Canterbury-Bankstown Migrant Resource Centre noted that the problems that people affected by the two-year waiting period are experiencing are similar to those experienced generally by people with very low incomes, except that the severity is often much worse:

- people suffering mental health problems consequent upon lack of nutrition because they have been unable to afford to purchase adequate food;
- poor housing and homelessness;
- exposure to workforce exploitation, such as being forced to become an unpaid household servant in a relative's house;
- depressive illnesses among clients who are subject to the two year waiting period;

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58 *Submission 153*, p.10 (IWSA).

59 *Submission 163*, p.130 (ACOSS).

- vulnerability as they frequently have no established support or information in the form of family and friends;
- loss of community contacts; and
- family breakdown.

The Centre stated that 'in some cases, Special Benefit has been granted as a result of these problems, problems that arose only because of the initial failure to provide support. In other words, people are being forced into crisis before they receive assistance.' The Special Benefit is a payment designed to respond to people ineligible for any other payment and the conditions of access to Special Benefit are different for newly arrived migrants: their circumstances must have changed 'beyond their control' since their arrival to be eligible. The hardship Special Benefit is only available to those experiencing an unanticipated event and is primarily related to the sponsor, for example, where the sponsor's business collapses or job is lost.<sup>60</sup> ACOSS concluded 'this excludes many migrants from receiving it, and increases their risk of poverty, destitution, and exploitation in the labour market'.<sup>61</sup>

15.81 The impact of the waiting period was highlighted in many submissions. Not only do those migrants waiting for support risk poverty but also 'host' families, communities and support agencies. A further problem was the two-year wait for social security payments for migrants, especially in the Family Reunion stream. There are increased demands on the community sector especially in the second half of the two-year wait, as even those in the Skilled Migration stream often experience difficulties in using the Job Network, and securing stable employment. A common situation with Family Reunion visas is that a whole family will be subsisting on the single sponsor's income while parents are looking for work and settling into the community.<sup>62</sup>

### ***Employment and housing issues***

15.82 Migrants and refugees are also at risk of long-term unemployment. Not only do they face a barrier because of lack of proficiency in speaking English, 'the need to obtain any job in order to bring money into the household can in itself be a poverty trap'. This group may find themselves in jobs that not only have poor pay but also be less secure than other jobs.<sup>63</sup> Lack of recognition of qualification often exacerbates employment difficulties.

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60 *Submission* 146, p.4 (Canterbury-Bankstown Migrant Resource Centre).

61 *Submission* 163, p.130 (ACOSS).

62 *Submission* 62, p.7 (Fairfield Migrant Resource Centre).

63 *Submission* 110, p.46 (Darebin City Council).

15.83 Migrants who face the two-year waiting period for social security payments are also not eligible for 'intensive assistance' through Job Network providers. Darebin City Council noted that 'this restriction puts these groups in a "Catch-22" situation: they need to find work in order to secure an income but they cannot access the necessary assistance to become "job ready"'.<sup>64</sup>

15.84 Even those migrants with sponsors may face problems. The Canterbury-Bankstown Migrant Resource Centre noted that some sponsors bring relatives and then decide that they cannot help anymore. The Centre stated that 'there is nothing to say the sponsor must actually look after them for so many years'.<sup>65</sup> The Centre recommended that there be more examination of the capacity of the sponsor to provide for all the various relatives in question.

15.85 Problems with finding suitable housing are a major issue for migrants and refugees. Witnesses noted that without adequate income to afford housing and other basic needs, the likelihood of successful settlement is seriously disrupted because basic opportunities for social and economic participation are not available. However, migrants and refugees from non-English speaking backgrounds face a number of difficulties in accessing housing. It was noted for example, that asylum seekers are not entitled to public housing. The Darebin City Council provided this comment:

Housing is a huge issue for asylum seekers in this region. With an income they can sometimes access cheap private rental properties or subsidised houses through agencies such as Hanover. For those without an income few housing groups are willing to assist due to their inability to provide ongoing support. (Australian Red Cross, community forum presentation)<sup>66</sup>

15.86 Even those migrants and refugees who are sponsored by a family member or community group may face difficulties in accessing housing in the private rental market:

They have to be taken by a member of the community to their house until a flat, unit or a house in the private market is found for them. This is especially very difficult. They have no tenancy record...no real estate agent is willing to give them accommodation. (Kurdish Association of Victoria, community forum presentation)<sup>67</sup>

15.87 The Australian Federation of Homelessness Organisations argued that asylum seekers and newly arrived immigrants should have guaranteed access to basic

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64 *Submission* 110, p.46 (Darebin City Council).

65 *Committee Hansard* 28.5.03, p.517 (Canterbury-Bankstown Migrant Resource Centre).

66 *Submission* 110, p.41 (Darebin City Council).

67 *Submission* 110, p.42 (Darebin City Council).

services, such as language programs and TAFE training courses, to enhance opportunities for employment.<sup>68</sup>

15.88 In its evidence to the Committee, the Fairfield Migrant Resource Centre pointed to the difficulties encountered by skilled migrants. The qualifications of many skilled migrants are not being recognised or will be only recognised with completion of full-fee tertiary study upgrades. Many skilled migrants are reluctant to accept lower-level or lower-paid jobs, even as a starting point, and are also reluctant to apply for welfare benefits. While others may be exploited by unscrupulous employers by under-employing them.

We have represented a woman who worked in an establishment officially employed and paid as a cleaner for 35 hours a week on minimum salary, but who actually worked as a senior chef for long shifts 6 or 7 days a week. She had virtually no English language skills. Up to half her take-home salary was sent out of Australia to support family [including her parents and her 2 youngest children]. The rest was the only income for her and her eldest daughter, who was completing her schooling in Australia. The woman accepted this exploitative situation at first because she was not aware of her entitlements. Subsequently, she feared deportation if she protested – even though she was now a permanent resident eligible for citizenship [a fact she did not fully understand due to her lack of English]. She and her daughter endured years of living below the poverty line, and decided not to pursue back pay, damages or any other claim in an agreement with her employer that saw her upgraded to a chef's position and salary.

*Submission 153, p.4 (IWSA).*

15.89 The lack of recognition of overseas skills and upgrade requirements restricts access to full employment and forces many skilled migrants to live in poverty. As ISWA also stated 'service providers find themselves providing welfare to people who could fend for themselves if only their qualifications were recognised or could be upgraded quickly and inexpensively'.<sup>69</sup> Fairfield Migrant Resource Centre commented:

The federal government should be recognising the value of the migrant workforce, and supporting the recognition of overseas qualifications in Australia, but in Fairfield many highly qualified migrants are living in poverty, working only casual or part-time in low-skilled occupations.<sup>70</sup>

15.90 The need for improvements in the delivery of services was emphasised by witnesses. Centrelink has improved its services for CALD (culturally and

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68 *Submission 57, p.28 (Australian Federation of Homelessness Organisations).*

69 *Submission 153 p.4 (IWSA).*

70 *Submission 62, p.5 (Fairfield Migrant Resource Centre).*



linguistically diverse) clients with Multicultural Service Officers and Outreach officers. However, the Fairfield Migrant Resource Centre stated that 'they are clearly struggling to deliver culturally appropriate welfare to Fairfield's multicultural population'.<sup>71</sup> Similar difficulties are experienced in other States:

Many Kurdish migrants and refugees who come to Australia do not have enough information on services and facilities available to them. Also, those members of community who support and sponsor migrants and refugees do not have enough knowledge of services and facilities available. (Kurdish Association of Victoria, community forum presentation)<sup>72</sup>

### **Conclusion**

15.91 The position of refugees and asylum seekers in the Australian community is particularly difficult. Many have suffered trauma and separation from their families. They face poverty as a result of poor access to the employment market. Only those on a Permanent Protection Visa have access to English language classes. This places other protection visa holders at a great disadvantage – without English language skills, the employment opportunities are extremely limited and often confined to very low paid jobs. Temporary Protection Visas also need access to intensive programs which are designed for people facing additional barriers to finding employment. Often refugees and asylum seekers are forced to seek assistance from already over-stretched welfare and volunteer organisations and their communities.

15.92 The Committee considers that there should be fair and equitable access to government assistance and programs for both Permanent and Temporary Protection Visa holders. Without the provision of appropriate settlement support, educational opportunities for children and work opportunities Visa holders will not have an opportunity to fully participate in Australian society and to become productive members of that society. Government, at all levels, will eventually bear the extra burden of increased costs for health care, for intervention services, for loss of productive members of society and forgone opportunities if skilled workers are unable to use those skills in the Australian working environment.

### **Recommendation 79**

**15.93 That the Commonwealth enable Temporary Protection Visa holders to access English language training and employment assistance in addition to existing services.**

15.94 The two year waiting period for access to certain income support payments introduces a large degree of hardship for many migrants. Failure to provide adequate support for migrants increases the risk of poverty, destitution and exploitation in the

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71 *Submission 62*, p.5 (Fairfield Migrant Resource Centre).

72 *Submission 110*, p.69 (Darebin City Council).

labour market. Failure by skilled migrants to have their qualifications recognised or to have access to programs to quickly and inexpensively upgrade qualifications diminishes the persons ability to find work and to acquire a higher standard of living.

### **Recommendation 80**

**15.95 That the Commonwealth Government investigate additional avenues to enable migrants and refugees to have qualifications recognised and to upgrade skills to ensure that migrants and refugees are able to find appropriate employment as soon as possible following arrival in Australia.**

## CHAPTER 16

### PEOPLE WITH A DISABILITY

*The plight of people with disabilities and poverty is such that, along with some of the other socioeconomic groups of Australia, it has almost become accepted that we will be poor.<sup>1</sup>*

16.1 People with disabilities and their carers are vulnerable to poverty and disadvantage and it has been observed that poverty is 'disability's close companion'.<sup>2</sup> This chapter examines the relationship between disability and poverty and reviews the adequacy of current programs and supports available to people with disabilities and their carers in addressing poverty. Specifically the chapter looks at:

- the relationship between poverty and disability;
- support and assistance for people with disabilities;
- funding of disability services and the level of unmet need;
- factors related to poverty and disadvantage for people with disabilities, in particular, income support, employment, education, housing, and access to information; and
- support and assistance for carers.

#### **Poverty and disability**

16.2 Poverty is particularly prevalent amongst people who have a disability due to a combination of factors including low incomes, fewer employment opportunities and additional costs due to their disability. Submissions noted that people with disabilities have lower workforce participation rates and are more likely to be unemployed than many other groups in the population. In addition to being excluded from earning an adequate income, people with disabilities often have higher costs of living associated with their disability. This may include the high cost of medication, the purchase of special equipment or aids, and access to appropriate housing, transport and services related to personal care or maintenance of a person's home. The combination of higher costs of living, along with low income, leads to a strong connection between disability and poverty.<sup>3</sup>

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1 *Committee Hansard* 28.7.3, p.1015 (Ms Allan).

2 *Submission* 129, p.36 (Queensland Government).

3 *Submissions* 158, pp.9-10 (Disability Action); 256, pp.2-5 (People with Disability Australia); 125, p.i (SANE Australia); 163, p.141 (ACOSS).

16.3 One study estimated that 26.7 per cent of households headed by 'sick' or 'invalid' persons were in poverty before housing costs in 1996 – this declines to 6.2 per cent after housing costs.<sup>4</sup> Additionally, it needs to be noted that many people with a disability are dependent on family members for care and support, which in turn impacts on the ability of these carers to participate in the labour market with many carers being forced to either leave the job market or reduce their hours of work.

16.4 Disability advocacy groups highlighted the plight of people with disabilities and the poverty and deprivation that many experience. SANE Australia stated that 72 per cent of people with a psychiatric disability are unemployed and over 85 per cent are dependent on the Disability Support Pension (DSP) as virtually their only source of income. The poor physical health endured by these people can also be associated with poverty-related issues such as poor diet, poor housing and social isolation.<sup>5</sup>

16.5 Groups noted that people with physical disabilities whose only source of income is the pension are also struggling to meet their everyday costs because they do not receive assistance to meet their disability-related expenses. Blind Citizens Australia, for example, noted that blindness and poverty are closely related. People who are blind have restricted access to community infrastructure and resources; are disproportionately affected by unemployment; and have high levels of blindness-related expenses.<sup>6</sup>

16.6 The Committee heard directly of the personal experiences of people with disabilities and their carers during its hearings. These personal stories highlighted the financial hardship many of these people face on a day-to-day, year in, year out basis and provided a valuable insight into the problems faced by these people, their families and their carers. Some of these life experiences are provided below.

### **Poverty and disability – life on the margins of society**

**Mr Miller** – What I...cannot do is live on \$400 a fortnight. Actually, I am wrong—I can exist. But I cannot live. I think I am not the only person with a disability in my circumstances who finds this.

Choice...is the key to disability. We have none. We did not choose the disability, it chose us, and now it gives us no choice. My disability cost me \$1 million in income lost, past and future earnings, but that is a lesser cost than some have paid, so I have to say that, by comparison, the little things I talk about really boil down to staying alive on \$400 a fortnight.

*Committee Hansard 28.7.03, pp.1019-20.*

4 King A, 'Income poverty since the early 1970s' in Fincher R & Nieuwenhuysen J eds., *Australian Poverty: Then and Now*, Melbourne University Press, 1998, p.88.

5 *Submission 125*, p.i (SANE Australia).

6 *Submission 87*, p.2 (Blind Citizens Australia).

**Ms Allan** – I was born in the 1960s...at a time where there were little or no expectations of people with disabilities. The community mindset was that people with disabilities would always be taken care of by the government, by way of invalid pensions, accommodation, et cetera.

Most people who have long-term disabilities over the age of 30 have no means to a long-term financial plan. In fact, we never thought we needed one. My primary income has always been a disability support pension. Almost six years ago I escaped long-term domestic violence with three small children in tow, a disability pension, family payments and no maintenance payments. I have been to the bottom. I can share stories not only of disability, but of prejudices that come with being a woman as well. I have been to the bottom; as low as I never imagined; as low as having to eat Weetbix regularly for my dinner, so that I could stretch the budget.

I have been housed, with my children, in a women's refuge that did not have disability access and still I did not give in, as many would have. I am in a very different place now but only through sheer hard work – hard work, fear and a determination never to eat Weetbix for dinner again. I am lucky to have had the strength to get this far, as many do not and not just because they have disabilities.

I believe that having been born with a disability has meant that justifying my self-worth has been something I have done naturally forever, so I have become very good at it. Yet the financial struggle and the worries and the fears go on.

*Committee Hansard 28.7.03, pp.1015-16.*

**Mr Sheedy** – For myself, I have had an intellectual disability from birth. In later years in life I have multiple health issues, the top one diabetes. The current cost of servicing my medication is \$418 a year. That is with the prescription subsidy scheme. My concern is what is going to happen in future if governments of the day bring in things like the recent Senate Medicare inquiry, where it is copayments to see your local GP?

For my spouse, who has an intellectual disability, my concern is for the future. She is unable to articulate like me. She has had a very poor education. She cannot manage a lot of her own banking issues or handle money. If I happen to leave she is going to have to rely on the public health and public welfare system.

*Committee Hansard 28.7.03, pp.1021-22.*

## **Support and assistance for people with disabilities**

16.7 The Commonwealth Government provides the main source of income support to people with a disability and their carers. The main Commonwealth disability-related payments and allowances include:

- Disability Support Pension (DSP) – is an income support payment available to people with a disability who are unable to work full-time in open employment within 2 years. They must have impairment assessed as above a specific level and be at least 16 years old and less than age pension age. A Pensioner Concession Card is automatically available to DSP

recipients – this entitles recipients to PBS prescription medicines at reduced cost as well as other concessions (see below).

- Sickness Allowance – is paid to people who are employed and who must temporarily stop working due to an illness, injury or disability.<sup>7</sup>
- Mobility Allowance – is a payment to people with a disability who are in paid employment, voluntary work, or doing vocational training, and who cannot use public transport without substantial help.
- Continence Aids Assistance Scheme (CAAS) – enables people who are employed, doing job training or looking for work to be supplied with continence aids (up to a predetermined credit limit) to defray the costs of their disability.<sup>8</sup>

16.8 Other services provided for people with a disability include:

- services provided under the Commonwealth State/Territory Disability Agreement (CSTDA) – the Commonwealth has responsibility for employment services under the CSTDA, and the States administer other services (see below).
- services and support through the Commonwealth Rehabilitation Service (CRS).
- joint funding with the States for the Home and Community Care (HACC) program.
- use of generic services available to others in the community, including health services and education and training.
- various State and local government concessions are provided to holders of the Pensioner Concession Card and Health Care Cards – these concessions vary between jurisdictions but may include public transport concessions, taxi subsidies, travel for isolated patients, glasses and discounts and rebates on utility costs and council rates.

16.9 The Commonwealth has also implemented a Commonwealth Disability Strategy. Under this strategy, Commonwealth departments and agencies are obligated to ensure

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7 A Health Care Card may be available to Sickness, Newstart, Youth and Mobility Allowance recipients – it entitles recipients to PBS prescription medicines at reduced cost.

8 Other payments include the Disability Pension, which is a compensation payment to veterans with a disability; Newstart Allowance (incapacitated) and Youth Allowance (incapacitated), which are provided to people – 21 years or more or under 21 years respectively – who, due to illness or injury are temporarily (up to 2 years) unable to work for more than 8 hours a week, or in the case of Youth Allowance, to study.

that people with disabilities have the same access to buildings, services, information, employment, education, sport and recreational activities as other Australians. The strategy encourages Commonwealth agencies to prepare action plans and provides a performance framework for reporting on progress in relation to these plans.

### **Funding for disability services**

16.10 Governments fund both government and non-government service providers of services for people with disabilities under the Commonwealth State/Territory Disability Agreement (CSTDA) and HACC programs, and through the provision of rehabilitation services. The CSTDA funds specialist disability services to meet the needs of people with a disability. As noted above, under the CSTDA the Commonwealth administers employment services and the States administer accommodation, community access, respite care and community support services. Advocacy, information and print disability services and research are shared by the Commonwealth and the States.

16.11 Under the new CSTDA, which was signed in 2003 and will operate until June 2007, the Commonwealth's total funding commitment is \$4.8 billion, which comprises \$2.8 billion to the States for their responsibilities under the CSTDA and \$2 billion for employment services and shared responsibilities. The Agreement includes a series of bilateral agreements between the Commonwealth and the States. All the States have signed up to the new Agreement except NSW.<sup>9</sup>

16.12 Expenditure by the Commonwealth and the States under the former Commonwealth-State Disability Agreement (CSDA) has shown a steady rise in funding in real terms over recent years. Total expenditure on services has risen from \$2.2 billion in 1998-99, to \$2.4 billion in 1999-2000 and to \$2.5 billion in 2000-01. This equates to percentage increases in total real expenditure on services by the Commonwealth and the States of 6.8 per cent in 1999-2000 (over the previous year) and 5.3 per cent in 2000-01. Total government expenditure on CSDA services was \$2.7 billion in 2001-02 – a real increase of 7.9 per cent from the level of expenditure in 2000-01. State and Territory Governments spent \$2.4 billion on CSDA services in 2002-03.<sup>10</sup>

### ***Level of unmet need***

16.13 Despite these expenditures there is a significant problem of unmet need with respect to the provision of support and assistance for people with disabilities. An Australian Institute of Health and Welfare (AIHW) study of access to disability services found the following estimates of unmet need in 2001:

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9 Agreement between the Commonwealth and the States and Territories in relation to Disability Services at [www.facs.gov.au](http://www.facs.gov.au). See also AIHW, *Australia's Welfare 2003*, p.337.

10 Parliamentary Library, *Disability Support and Services in Australia*, October 2002, p.4; *Report on Government Services 2003*, pp.13.6-13.9; *Report on Government Services 2004*, p.13.8.

- 12 500 people needing accommodation and respite services;
- 8 200 places needed for community access services; and
- 5 400 people needing employment services.<sup>11</sup>

The AIHW noted that these estimates are conservative. In addition, the estimates do not represent the total sum of unmet need for CSDA services as community support services were not included in the study.

16.14 The AIHW study pointed to other data that suggest that the overall service system for people with disabilities is under pressure. The study found that:

- People in the CSDA broad target group (those with ongoing needs for assistance in self-care, mobility or communication) are increasing in number and ageing. Between 2000 and 2006, it has been estimated that those aged under 65 years will increase by 9 per cent. Within this subgroup, those aged 15-64 years will increase by 12 per cent, and those aged 45-64 years will increase by 19.3 per cent (or 59 500 people).
- There were almost 6000 people aged under 65 years living in residential aged care in 2001, 1014 being aged under 50 years. The needs of these people were not included in the estimates of unmet need referred to above.
- There are large numbers of people with disabilities using services for the homeless. Disability-related pension recipients accounted for 17 per cent of all SAAP clients in 1999-2000. Repeat use of SAAP services was highest for disability-related pension recipients, with requests for accommodation and other support being the primary reasons for seeking assistance.
- The health care needs of people with disabilities both in residential care and in the community are a continuing concern. With the progress of de-institutionalisation more quality of care in the community, including health care, needs to be provided. Groups that are particularly vulnerable include people with psychiatric disabilities, acquired brain injury and those with complex needs.<sup>12</sup>

### **Factors relating to poverty and disadvantage**

16.15 A number of factors relating to poverty and disadvantage for people with disabilities were highlighted during the inquiry. These related to income support and related payments, employment, education, housing, transport and access to

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11 AIHW, *Unmet Need for Disability Services*, 2002, p.xxii.

12 *Unmet Need for Disability Services*, p.xxiii.



information. While these issues have been discussed separately in this report as key indicators of poverty, they are especially profound for people with a disability.

### ***Income support and related payments***

16.16 Disability advocacy groups argued that the current system of income support is inadequate and, in particular, does not cover the real cost of disability. The Physical Disability Council of Australia noted that 'the present disability support pension is a base allowance...it does not take into account the specific needs that a person has with their disability'.<sup>13</sup> People with Disability Australia commented similarly:

For people with disability on the Disability Support Pension there are little funds available for anything more than the very basic necessities of life. This severely restricts the ability of some people with disability to experience many things in life and to access opportunities such as employment and education that may support them to move away from their life of relative poverty.<sup>14</sup>

16.17 Blind Citizens Australia also stated that:

...people who are blind whose only source of income is the pension are struggling to meet their everyday costs because they do not receive assistance to meet their essential disability related expenses. As a consequence, people who are reliant on the pension are spending substantial proportions of their and their family's income on blindness related expenses.<sup>15</sup>

16.18 Evidence to the inquiry highlighted several of the shortcomings of the current system of income support and related payments and services:

- The DSP is paid at the same rate as other pensions, even though people with a disability generally have more non-discretionary expenditures than other pensioners. The DSP does not take into account these additional costs. Furthermore, the DSP provides the same level of basic income support to people with little non-discretionary additional support costs as it does to people with high non-discretionary support costs.
- The Commonwealth provides only limited assistance to offset the additional costs of people with disabilities, notably transport and continence costs.

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13 *Committee Hansard* 4.8.03, p.1152 (Physical Disability Council). See also *Submission* 256, pp.2-4 (PWD).

14 *Submission* 256, p.3 (PWD).

15 *Submission* 87, pp.5-6 (Blind Citizens Australia).

- State and Local Governments supplement Commonwealth programs with a range of programs and services but they vary across States with regard to eligibility requirements, supports and services provided, and co-payment provisions. Employment participation is often discouraged because means tests are generally such that a person becomes ineligible for these programs if they earn income above certain thresholds, and the income earned is unlikely to be sufficient to offset the loss of supports and services.
- People with disabilities face substantial additional costs despite the supports available. Co-payments are built into most supports, and although single co-payments may not appear to be significant, in total they can involve significant outlays for people already on low incomes.
- Some programs such as HACC services, while requiring relatively small consumer contributions, are difficult to access because of stringent eligibility criteria (as the overall funding is generally inadequate to meet demand). As a result, most people cannot access these services and are forced to buy these services on the open market.
- There is limited recognition of the additional costs of workforce participation – while some Commonwealth assistance is available, such as the Mobility Allowance, many of the costs are borne by the person with the disability.<sup>16</sup>

16.19 Table 16.1 illustrates some of the gaps in the provision of services and supports faced by people with disabilities.

16.20 A number of options were suggested during the inquiry to address the problem of the additional costs of disability with most advocacy groups proposing the introduction of a costs of disability supplement.

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16 *Submissions* 188, pp.23-25 (Physical Disability Council); 87, pp.2-6 (Blind Citizens Australia); *Committee Hansard* 4.8.03, pp.1150-1154 (Physical Disability Council); *Committee Hansard* 30.6.03, pp.761-66 (PINARC Support Services).

**Table 16.1 Gaps in the Provision of Supports to Offset the Cost of Disability**

Additional Cost	Form of Assistance	Gaps
Loss of income	Disability Support Pension (C'wealth)	No recognition of additional costs of disability relative to age; no recognition of variation in costs
Housing/Accommodation	Rental assistance (C'wealth), accommodation supports (State)	No recognition of higher cost of accessible homes.
Personal and Home Care	Attendant care (C'wealth), Home care (State)	Limited range of tasks funded; inadequate funding means many people without support.
Home and Furniture modifications	Technical Aid for Disabled (Non-government); Home Modifications and Maintenance (State)	Inadequate funding means many people without support.
Taxis	Capped 50% Taxi Transport Subsidy (State)	Cost still high relative to public transport cost.
Wheelchairs, scooter	PADP (State), 20% Income tax rebate (C'wealth)	Limited by PADP criteria and shortages; discourages workforce participation.
Home maintenance, cleaning, garden	HACC (State)	Limited range of tasks funded; funding inadequate.
Therapies and Exercise	Provided through services and schools (State)	Inadequate funding; mainly limited to children.
Transport, excluding taxis	Mobility Allowance (C'wealth)	Mobility Allowance does not recognise wide variations in costs; Inadequate IPTAAS funding.
Continence aids, associated products	\$450 limit (C'wealth)	CAAS does not recognise wide variation in costs.
Pharmaceuticals and health care	Pharmaceutical benefits scheme (C'wealth)	Satisfactory.
Respite	Respite and Recreation (State)	Inadequate funding.
Medical and hospital	Medicare system, private health insurance	Satisfactory; disadvantaged by 'averaging' methods.
Food, Diet, Hygiene	Meals on Wheels (State)	No funding for special diets.
Wheelchair/Equipment Maintenance	PADP (State), 20% Income tax rebate (C'wealth)	Limited by criteria and funding shortfalls; discourages workforce participation.
Aids and Equipment	PADP (State), 20% Income tax rebate (C'wealth)	Limited by criteria and funding shortfalls; discourages workforce participation.
Communications	Telephone allowance (C'wealth); PADP (State)	No funding.
Clothing and footwear	No program	No funding.
Power and Temperature Control	Discounts to Card holders (non-government)	Income earners with disabilities ineligible.

Source: *Submission 188, p.26 (Physical Disability Council of Australia).*

16.21 The Physical Disability Council proposed replacing the current income support arrangements with:

- the introduction of a new basic income support payment available to all people with disabilities, similar to the DSP;
- supplementation of the new payment by:
  - a Disability Cost of Living Allowance that would be available without means tests to all people with a disability, whether employed or unemployed, who face additional costs due to their disability; and
  - an Income and Employment Participation Support Allowance that would be available to all long term unemployed people with a disability and without means to enhance their employment prospects in looking for work or undertaking job training.
- extension of the current system of tax concessions available to self funded retirees aged over 65 years to self funded unemployed people with a disability in the same age group.<sup>17</sup>

16.22 The Council explained the specifics of their proposal in the following terms:

...someone who is working and someone who is not working could be entitled to a disability support allowance that would meet some of these costs and go some way toward relieving the level of poverty that people live in...The employment allowance...is designed for those who are intending to go to work. It was designed to be a payment to people who are looking for employment or undertaking training in order to work – any of those options – to assist in that particular undertaking...On top of that, you should have allowances that are dependent on people's circumstances...It would depend on your circumstances as to which allowances you were entitled to and that would be assessed.<sup>18</sup>

16.23 ACOSS also proposed the introduction of a Costs of Disability Supplement. This payment would be a non-taxable cash entitlement to assist with the extra essential costs associated with disabilities and would be paid as a supplement to the DSP. The supplement would cover the following costs:

- a mobility component for people with disabilities that substantially restrict mobility, to broaden and replace the existing Mobility Allowance;

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17 *Submission* 188, pp.2-3,32-34 (Physical Disability Council); *Committee Hansard* 4.8.03, pp.1150-1152 (Physical Disability Council). See also *Submission* 158, p.25 (Disability Action).

18 *Committee Hansard* 4.8.03, p.1152 (Physical Disability Council).

- a communication component for people with disabilities that substantially restrict communication; and
- other components, such as for housing modifications, as appropriate.

16.24 ACOSS argued that each component of the supplement could have more than one rate of payment to respond to the variations in the average costs faced by different groups of recipients, and the supplement should either be paid without an income test, or an income test that only excludes the top 20 per cent of income earners.<sup>19</sup> One submission noted the supplement could also include components that support independent living and personal care; provide for technical aids and appliances; access to information and communication; and extraordinary health care and therapy.<sup>20</sup>

### **Recommendation 81**

**16.25 That the Commonwealth introduce a disability allowance to meet the additional costs associated with disability.**

#### *Employment*

16.26 People with a disability face a range of obstacles to employment, including attitudinal barriers, such as discrimination in the job application process and discrimination at work. In addition, there are additional costs of participating in the workforce, such as transport costs and necessary workplace modifications. People with disabilities are also particularly vulnerable to economic downturns and are more likely to be retrenched at these times.

16.27 People with disabilities remain marginal to mainstream employment opportunities. The level of labour force participation is significantly lower for people with a disability (53.2 per cent in 1998) than for people with no disability (80.1 per cent). The participation rate for a person with a severe or profound restriction was even lower – 18.9 per cent and 40.2 per cent respectively. The unemployment rate among people with a disability was 11.2 per cent in 1998 – well above that for people with no reported disability (7.9 per cent).<sup>21</sup>

16.28 The Commonwealth through the Department of Family and Community Services (FaCS) funds a number of disability employment assistance services. These include:

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19 ACOSS, *Fairness and Flexibility: Reform of Workforce Age Social Security Payments in Australia*, September 2003, pp.15-16.

20 See *Submission 188*, pp.38-39 (Physical Disability Council).

21 *Australia's Welfare 2001*, p.311.

- open employment services – these services provides help in finding a job and starting employment in the open labour market and provide continuing support once in employment;
- supported employment services (also known as Business Services) – these services employ and support people with disabilities, often in specialist working environments; and
- vocational rehabilitation through CRS Australia.

16.29 A number of programs assist jobseekers with disabilities to find or maintain employment. These include:

- Wage Subsidies – subsidies are paid by a Disability Employment Service to subsidise wages for people with disabilities entering work;
- Workplace Modifications Scheme – provides reimbursement to employment agencies or employers for the costs of necessary workplace modifications when employing people with disabilities;
- Supported Wage System – provides a process of productivity-based wage assessment; and
- Disabled Apprentice Wage Support – provides assistance to employers of eligible apprentices who would otherwise face difficulty obtaining an approved apprenticeship because of their disability.<sup>22</sup>

16.30 As noted above, people with disabilities face a variety of obstacles in obtaining employment. There are barriers in accessing information regarding jobs and in the job application process itself for many people with disabilities. In the case of blind people it was pointed out that the increasing placement of job vacancies on the Internet has created difficulties for the visually impaired – 'you must have the equipment compatible with you to be able to find a job'.<sup>23</sup> Such equipment is costly. In the case of deaf people, interpreters are not always provided for job interviews, nor in other situations such as employment-related training and orientation.<sup>24</sup> Disability Action reported that many people with disabilities have to make a difficult decision about disclosure of their disability – 'the choice is between disclosing their disability and getting adequate support at times when they need it and not disclosing it and having a

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22 Centrelink, *A Guide to Payments and Services 2002-2003*, pp.96-97.

23 *Committee Hansard* 1.5.03, p.177 (Blind Citizens Australia).

24 *Committee Hansard* 27.5.03, p.399 (Australian Federation of Deaf Societies).

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better chance of getting a job'. Disability Action stated that many of those who do disclose their disability at an interview simply are not selected for the job.<sup>25</sup>

16.31 Submissions argued that the problem of the disability-related costs of employment needs to be addressed. The Commonwealth currently meets some of the additional costs of employment for people with disabilities, for example, through the Mobility Allowance and the Workplace Modifications Scheme. However, this assistance does not meet the full disability-related costs of employment.

16.32 Blind Citizens Australia noted several limitations with the Workplace Modifications Scheme. The scheme does not cover the on-going cost of up-grading or repairing adaptive equipment. It also cannot be used to meet the cost of a myriad of small adaptive items that the blind use to access information in the workplace such as talking calculators. In these circumstances, the additional costs are usually met by the blind employee and the cumulative effect of these costs can be substantial. For example, talking calculators can cost from \$23 and up to \$875 for a scientific calculator, with pocket tape recorders costing between \$250 and \$450.<sup>26</sup>

16.33 The Committee notes these concerns, and has recommended that a disability allowance be introduced to take into account, among other things, the employment-related costs of disability.

16.34 Submissions argued that a number of measures need to be introduced to encourage greater employment opportunities for people with disabilities. These include:

- awareness campaigns focussed on employers to encourage greater employment of people with disabilities, and including the workplace obligations of employers to their disabled employees;
- encouragement of more open employment opportunities – 'there is a good example in NSW of a company which employs 50 people with disabilities. They have complete open employment conditions and they make profits, so it is possible to make a profit and to work with people with disabilities, even exclusively'.<sup>27</sup>
- the introduction of an affirmative action plan by the Commonwealth that would establish quotas for the employment of people with disabilities;

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25 *Submission 158*, p.17 (Disability Action).

26 *Submission 87*, p.5 (Blind Citizens Australia).

27 *Committee Hansard 29.4.03*, p.20 (Disability Action).

- more employment of people with disabilities by the Commonwealth and the States in the public sector and the provision of more traineeships.<sup>28</sup> Over the past decade there has been a consistent decline in the employment of people reporting a disability as a proportion of Commonwealth public service employees. In absolute terms, the number fell in each year until 2001-02, before recovering slightly in 2002-03. In 2002-03, people with a disability represented 3.6 per cent of APS employees, down from 5.5 per cent a decade ago.<sup>29</sup>

16.35 As noted above, a number of programs exist to assist people with a disability to find or maintain employment; however, the Committee believes that further action by governments is required in this area. The Committee notes that the Commonwealth Disability Strategy also aims to ensure that people with disabilities have the same access to employment and other opportunities as other Australians, although this initiative only applies to Commonwealth departments and agencies.

### Recommendation 82

**16.36 That the Commonwealth re-commit to employ people with disabilities in the public sector in proportions that reflect their representation in the wider community.**

### Recommendation 83

**16.37 That the Commonwealth Government and the States continue to implement strategies to promote greater employment of people with disabilities in the private sector.**

*Business services whose workforce is people with a disability*

**16.38** Some submissions also raised concerns about the low pay, poor working conditions and lack of monitoring of Business Services or sheltered workshops. Business services are commercial businesses whose main workforce is people with disabilities. These businesses provide supported employment for approximately 17000 people with moderate to severe disabilities. The sector generates some \$250 million in sales annually.<sup>30</sup>

28 *Committee Hansard* 29.4.03, pp.20-21 (Disability Action); *Submissions* 158, p.18 (Disability Action); 87, p.4 (Blind Citizens Australia); *Submission* 139, p.1 (Australian Federation of Deaf Societies).

29 Australian Public Service Commission, *State of the Service Report 2002-03*, November 2003, pp.128-29. EEO data, including data on disability, is supplied to agencies by individuals on a voluntary basis and non-response varies between agencies.

30 FaCS, *Improving Employment Assistance for People with Disabilities*, [n.d.](#), pp.6,39.



16.39 Disability Action noted that low pay is often a feature of sheltered workshops – with workers earning between 50 cents and \$4 per hour – 'not only do they work hard and get very little pay; they also get abused and are not treated very well in some workplaces'.<sup>31</sup> Disability Action also stated that many workers were reluctant to complain about pay and conditions – 'hence there is a great opportunity for management and those who are there to provide support (called staff) to exploit the workers with disabilities (called employees)'.<sup>32</sup> Disability Action also argued that with the introduction of the Disability Services Standards and the *Disability Discrimination Act 1992* an independent monitoring body should be established to monitor the conditions in sheltered workshops. Disability Action stated that 'we have standards anyway – disability employment services standards – but it is not good enough just to leave the control of the monitoring of these standards up to the organisations themselves or the workers'.<sup>33</sup>

16.40 The Commonwealth is moving towards a system requiring Business Services to pay competency and productivity assessed, award based wages for people with disabilities working in Business Services.<sup>34</sup> Often commercial pressures facing Business Services have meant that employment conditions and payment of wages to employees with disabilities have taken a lesser priority to the provision of support and business viability. People with Disability Australia argued that the introduction of award based wages for people with disabilities accessing Business Services goes some way to addressing the past problem of people with disabilities 'effectively selling their labour for minimal wages' in supported employment.<sup>35</sup>

16.41 Supported employment services cautioned, however, that the financial viability of many services may be put at risk with the movement towards competency-based wages. McCallum Disability Services noted that at present their Service is in large part activities-based and less concerned with outputs in a business sense. With competency based wages – 'it will mean that they will get paid more, which will affect their pension, and secondly, it will mean that those people who do not have the ability to produce at least about 30 per cent of normal output will not be able to have a place in those supported employment programs. We do not see that as a progressive move'.<sup>36</sup> Greenacres Association, which employs over 170 people with mainly developmental disabilities, also noted that supported employment services will be less

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31 *Committee Hansard* 29.4.03, p.16 (Disability Action).

32 *Submission* 158, pp.18-19 (Disability Action).

33 *Committee Hansard* 29.4.03, p.16 (Disability Action). See also *Committee Hansard* 29.4.03, pp.24-25 (Disability Action).

34 *Improving Employment Assistance*, p.6.

35 *Submission* 256, p.9 (PWD).

36 *Committee Hansard* 30.6.03, p.770 (McCallum Disability Services).

able to offer work to medium and high support employees if compelled to pay higher wages, and coupled with increasing competition from low-wages countries in Asia in the goods that they produce – 'we will certainly lose the work for our employees and along with that they will certainly lose their jobs'.<sup>37</sup>

16.42 The Committee believes that employees in Business Services need to have appropriate pay and working conditions but that a balance needs to be struck between providing these conditions and maintaining the viability of the various enterprises concerned. The Committee believes that the Government should continue in efforts to improve the viability of Business Services so that better wages and working conditions can be provided for people with disabilities working in these enterprises.

### ***Education***

16.43 Access to educational opportunities for people with disabilities was a concern raised during the inquiry.

16.44 Trends in educational participation suggest that there are increasing rates of school attendance by people with disabilities, especially in ordinary school classes, and this trend is evident irrespective of disability status, including for people with severe restrictions. Based on self-reported school attendance data from ABS disability surveys, overall, there was a higher proportion of people aged 5-20 years in school and reporting a disability in 1998 than in 1981; rising from 5.7 per cent in 1981 to 9.2 per cent in 1998. For people with a severe restriction in this age group, the rise was 1.2 to 3.7 per cent.<sup>38</sup>

16.45 People of working age (15-64 years) with a disability, and particularly those with a severe or profound restriction, participate less in the education system than people with no disability. The 1998 disability survey found that 38.8 per cent of people with a severe or profound restriction had post-school qualifications, compared with 46.8 per cent of people with no disability. Only about one in five people with a severe or profound restriction completed Year 12, in contrast to 43.9 per cent of people with no disability.<sup>39</sup>

16.46 The proportion of students in the vocational education and training (VET) sector reporting a disability increased from 2.9 per cent in 1995 to 3.6 per cent in 2000, while the proportion of students reporting a disability enrolled in universities also increased – from 1.9 per cent in 1996 to 3 per cent in 2000.<sup>40</sup>

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37 *Submission 224*, p.5 (Greenacres Association).

38 *Australia's Welfare 2001*, p.311.

39 *Australia's Welfare 2001*, p.311.

40 Senate Employment, Workplace Relations and Education References Committee, *Education of Students with Disabilities*, December 2002, pp.10-11.

16.47 The Commonwealth provides payments to assist with the costs of education for people with disabilities. The Pensioner Education Supplement assists with the cost of full-time or part-time study for people receiving the DSP. People who receive the education supplement may also be eligible for the Education Entry Payment, which is an additional annual payment to help with the cost of study.<sup>41</sup> Disability Action stated that these payments assist many people with disabilities to access further education and should be maintained.<sup>42</sup>

16.48 Evidence indicated the need to improve access to educational opportunities for people with disabilities, especially in the following areas:

- accessing information in appropriate formats, for example, Braille for the blind or access to AUSLAN translators for hearing impaired students or access in electronic formats or tapes;
- access to vocational training – 'although TAFE provides accessible learning materials and modifications for students with disabilities, there is not enough funding to fulfil all needs';<sup>43</sup>
- access to educational courses for people with a psychiatric disability; and
- access to adult and lifelong learning.<sup>44</sup>

16.49 Disability advocacy groups argued that:

- more attention needs to be paid to the specific educational needs of students with disabilities, with courses delivered in an accessible, affordable and flexible manner;
- support services for students with disabilities in educational institutions need to be strengthened and better funded;
- the negative attitudes from some academic staff and fellow students need to be addressed; and
- TAFE fees need to be made more affordable for people on low incomes and TAFE institutions needs to improve accessibility to courses leading to

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41 A Guide to Payments, pp.89-90.

42 *Submission* 158, p.40 (Disability Action).

43 *Submission* 158, p.39 (Disability Action).

44 *Submission* 158, pp.39-41 (Disability Action); *Committee Hansard* 27.5.03, p.399 (Deaf Society of NSW); 2.5.03, p.239 (Tasmanians with Disabilities).

employment outcomes rather than providing general and pre-vocational education only to people with disabilities.<sup>45</sup>

16.50 Several of these themes were highlighted in a recent Senate report into the education of students with disabilities. The report found that children and their parents are not being given the support that they need in the education system in terms of access and quality of educational opportunities. The report also questioned whether Commonwealth funding was being effectively targeted at deficiencies in the provision of education programs for students with disabilities. The report pointed to under-resourcing of educational programs for students with disabilities in the school sector and in post-secondary education.<sup>46</sup>

16.51 It was emphasised during the inquiry that access to educational opportunities for people with disabilities is important in addressing their long-term life chances. The Deaf Society of NSW stated that 'lack of educational opportunities has a major impact on deaf people's ability to take advantage of the opportunities in employment and to improve their lives and their futures'.<sup>47</sup> This statement could easily apply to all people with disabilities.

#### **Recommendation 84**

**16.52 That the Commonwealth and the States continue to implement programs and strategies to improve access to educational opportunities for people with disabilities, including the recommendations of the Senate Employment, Workplace Relations and Education References Committee report on the *Education of Students with Disabilities*.**

#### ***Housing and accommodation assistance***

16.53 Submissions and other evidence highlighted the problems people with disabilities have in accessing appropriate housing.<sup>48</sup>

16.54 Access to the various forms of housing tenure is often problematic for people with disabilities. In relation to private rental accommodation, in addition to the high cost of this form of housing, landlords are often reluctant to rent to people with disabilities believing that these people are less able to pay their rent (due to their low incomes) or are less capable of maintaining the rented accommodation in a suitable condition. Much of the housing is also inaccessible for mobility-impaired people with

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45 *Submissions* 158, p.41 (Disability Action); 256, p.7 (PWD).

46 *Education of Students with Disabilities*, p.xix.

47 *Committee Hansard* 27.5.03, p.399 (Deaf Society of NSW).

48 *Submissions* 256, p.8 (PWD); 158, pp.37-39 (Disability Action); *Committee Hansard* 29.4.03, p.26-27 (Disability Action); 2.5.03, p.238 (Tasmanians with Disabilities); 28.7.03, p.1021 (People with Disabilities (WA)).

few landlords prepared to allow significant modifications. People with disabilities who own their own home often have additional cost burdens associated with financing necessary modifications to their homes.

16.55 Although people with disabilities receive preferential treatment when applying for public housing, with the decline in public housing stock over recent decades, there are increasingly long waiting lists of up to 18 months in many States. Disability Action stated that people with disabilities often find accommodation in community housing with many housing associations providing very good services.<sup>49</sup> In 2001-02, there were 172 community housing providers that targeted people with a disability, and these providers assisted 4318 households with a disability.<sup>50</sup> Housing co-operatives have also increased their intake of people with disabilities in recent years with varying degrees of success.

16.56 Supported accommodation services provide assistance to people with disabilities who are homeless, or who are at risk of homelessness. Overall, people on disability pensions accounted for 17 per cent of SAAP clients and this group had by far the highest repeat use of SAAP services.<sup>51</sup> Access to emergency housing for people with disabilities, in particular with physical disabilities, is very inadequate. Hostels, which often provide accommodation for people with intellectual disabilities, vary in the standard of accommodation provided, with some providing excellent services, others less so.

16.57 The specific housing problems of people with particular disabilities were highlighted during the inquiry. SANE Australia reported that people with a psychiatric disability experience a lack of accommodation options and risk becoming homeless. The organisation noted that some 45 per cent of people with a psychiatric disability live in hostels, institutions and similar accommodation, with around 11 per cent 'effectively homeless'. Mentally ill people also live in caravan parks and can be the subject of heavy exploitation.<sup>52</sup> Blind Citizens Australia noted that people who are blind need to live close to transport and amenities to be able to use these facilities independently but this imposes significant financial costs. People who are unable to afford the additional costs of living close to services are instead paying a high price in terms of social exclusion and lost opportunities for participation in the wider community.<sup>53</sup>

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49 *Submission 158*, p.38 (Disability Action).

50 *Australia's Welfare 2003*, p.372.

51 *Australia's Welfare 2001*, p.361.

52 *Submission 125*, pp.i, 10 (SANE Australia); *Committee Hansard 1.4.03*, p.856 (St Vincent de Paul, Ballina).

53 *Submission 87*, p.6 (Blind Citizens Australia).

16.58 Over recent decades there has been a consistent trend towards the provision of more community-based accommodation services, relative to institutional-style 'cared accommodation' for people with disabilities. The largest increase in community living in recent decades has been in the rate and number of people with a severe or profound restriction living with their families.<sup>54</sup> However, often there are not sufficient supports for families caring for people with disabilities. One witness noted that 'neighborhoods have deteriorated, so you cannot ask your neighbour to look after your daughter for a day or half a day; that is, people who volunteered in the community in more informal systems...were not as readily available'.<sup>55</sup> There is also a lack of extended family support that was available to many families in past years.

16.59 Another problem highlighted was that of ageing parents caring for children with disabilities. These children will eventually need appropriate accommodation places – which are in increasingly short supply – when parents are unable to continue caring for them.<sup>56</sup>

There are many out there who are really worried about the future of their children because of their age – it is not so much the age of the child; it is the age of the parents that is the worry...Most parents are willing to care for their son or daughter, young or adult, at home but they need arrangements for the future to be in place. This issue is about elderly parents worrying for years about what will happen to their child and about where the child will be when they, the parents, die.

*Committee Hansard* 30.6.03, p.767 (Mrs Fidler, Ballarat).

16.60 The Committee believes that the current housing assistance programs and services need to be maintained and expanded. In chapter 6, the Committee made a number of recommendations to address the housing needs of low income people and it believes that people with disabilities will benefit from the implementation of these recommendations. In addition, the Committee has recommended that a disability allowance should be introduced and that this allowance should take into account the additional housing costs of people with disabilities, such as the need for housing modifications.

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54 *Australia's Welfare 2001*, pp.308-9.

55 *Committee Hansard* 29.4.03, p.18 (Disability Action).

56 *Committee Hansard* 30.6.03, pp.767-68 (McCallum Disability Services).

58 *Submission* 87, pp.6-7 (Blind Citizens Australia); *Committee Hansard* 2.5.03, pp.237-38 (Tasmanians with Disabilities); 4.8.03, pp.1156-57 (Physical Disability Council).

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## *Transport*

16.61 Transport in terms of affordability and access poses problems for many people with disabilities.<sup>58</sup> Transport is important in facilitating access to employment, educational facilities, and health and community services, all of which are important in alleviating poverty. Transport also plays a vital role in providing access to social and community life.

16.62 The States provide public transport concessions for people with disabilities. The States also operate taxi subsidy schemes; however, the nature and extent of these schemes varies considerably between States. The Physical Disability Council argued that there needs to be commonality between the various State schemes.<sup>59</sup>

16.63 At the Commonwealth level, the Mobility Allowance is paid to people engaged in paid or voluntary work, training or job seeking, who are unable to use public transport without substantial assistance. This allowance provides some assistance but because it is exclusively focused on employment participation it excludes people not in the workforce such as aged persons. The allowance is not related to the actual cost of transport but is a fixed amount – with evidence suggesting that the level of allowance paid is not sufficient to meet the transport needs of many people with disabilities.<sup>60</sup> Private transport often involves expensive modifications to enable it to be used by people with disabilities.

16.64 Public transport is often difficult to use for certain people with disabilities, and is virtually non-existent in rural and remote areas. In relation to blind people, one submission noted that 'public transport is often not an option because of the inaccessible design of transport infrastructure and other factors related to safety and timeliness. Like other people living in regional and rural locations, people who are blind are adversely affected by the paucity of public transport infrastructure in these areas, however, unlike others, they do not have the alternative option of driving. In such cases, taxis are essential'.<sup>61</sup>

16.65 The Committee believes that the transport needs of people with disabilities need to be addressed and urges the Commonwealth and States Governments to expand assistance in this area to address unmet needs. The Committee also believes that its recommended disability allowance needs to take account of the additional transport costs of people with disabilities.

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59 *Committee Hansard* 4.8.03, p.1156 (Physical Disability Council).

60 *Submissions* 188, p.25 (Physical Disability Council); 87, p.7 (Blind Citizens Australia).

61 *Submission* 87, p.7 (Blind Citizens Australia).

### *Access to information*

16.66 Access to information in appropriate formats is also an important issue for people with disabilities. For blind people, for example, the increasing reliance on computer aided technology imposes costs in acquiring the types of adaptive equipment and technology required so that they can access basic information, for example, braille note takers and computers.<sup>62</sup>

16.67 At present there are no Commonwealth subsidies available for the purchase of equipment or technology outside the workplace. The Committee believes that its recommended disability allowance needs to take account of the additional information and technology-related costs of people with disabilities.

### **Support and assistance for carers**

16.68 The financial hardship faced by many carers of children or adults with a severe physical, intellectual or psychiatric disability was raised during the inquiry. It was emphasised that the current income system does not adequately remunerate carers for the contribution to care that they make. Some case studies are provided below.

#### **Carers – the constant struggle**

Daniel's wife has schizophrenia and his 15 year old son has multiple disabilities: intellectual and ADHA. Daniel also has a 7-year-old son who is hyperactive. Daniel has been a full time carer since 1993 when he resigned from work to care for his wife and son. He has been on the Carer Payment since 1995. Daniel and his wife live in a Ministry of Housing home for which they pay rent. He has a bank debt, which causes him significant anxiety. His current electricity account is \$811 and he does not know how he will pay this. He "robs Peter to pay Paul" is his expression of how he sometimes juggles accounts when they come in.

*Submission 33, pp.5-6 (Carers Australia).*

Donna has cared for her daughter Allison from the day of her birth 25 years ago. Allison has a severe intellectual disability and suffers from uncontrolled epilepsy. Her seizures can come at any time of the day and they are life threatening. In the last 23 years Donna has battled with agencies to receive some respite services and assistance with care....The many years of such stressful caring have taken a toll on Donna, she herself has developed an anxiety disorder and depression. Over the years her marriage has broken up and she has felt abandoned in her attempts to keep Allison at home by her family.

*Submission 158, p.28 (Disability Action).*

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62 *Submission 87, pp.7-8 (Blind Citizens Australia); Committee Hansard 2.5.03, p.238 (Tasmanians with Disabilities).*



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16.69 Commonwealth income support for carers includes the following payments:

- Carer Payment (CP) – is an income support payment to those who provide full-time care to a person aged 16 years or more with a severe physical, intellectual or psychiatric disability. The payment is for carers who, because of the demands of their caring role, are unable to support themselves in full-time employment. Care is provided in the person's home but the carer is not required to live with the person being cared for. CP recipients may also be eligible for Carer Allowance. CP is paid at the same rate as other pension payments which is currently \$226.40 per week and is subject to income and assets tests.
- Carer Allowance (CA) – is paid to people who are caring for a child or an adult with a severe disability or chronic medical condition or who are frail aged. The person being cared for must require significantly more daily care and attention than a person of the same age who does not have a disability. The carer and the person being cared for must be living together in the same private house. The Child Disability Assessment Tool and the Adult Disability Assessment Tool are used to assess eligibility for CA for children and adults respectively. The rate of payment is currently \$45.05 per week.<sup>63</sup>

### *Financial security for carers*

16.70 Financial security is a major concern for many carers, particularly primary carers. There were an estimated 2.3 million carers in Australia in 1998 according to the most recent ABS survey of disability and carers, and 450 000 primary carers. These carers, who are usually family members, provide unpaid work at home for children or adults who have a disability, chronic condition or who are frail aged. Of the 2.3 million carers, 59 per cent combined their caring role with full-or part-time work, with the majority employed full-time (63 per cent). Among the employed 158 200 primary carers, only 48 per cent were employed full-time.<sup>64</sup>

16.71 Carers Australia, citing results from the ABS 1998 disability and carers survey found that almost half (49 percent) of primary carers of working age were dependent on government income support. Carers Australia stated that the financial hardship faced by many carers is the result of the limited access to social security payments; the inadequacy of these payments; the necessity of having to give up paid employment; and the extra costs incurred in their caring role – and the inadequate level of the Carer Allowance in offsetting these costs. While the Carer Payment and Carer Allowance provide some recognition of the circumstances of carers, neither payment is adequate

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63 Some carers, ineligible for these payments, may receive other income support payments such as Parenting Payment.

64 *Submission 33*, pp.6-7 (Carers Australia).

compensation for the costs incurred in caring, or the services that family and other informal carers provide.<sup>65</sup> Carers Australia noted that:

For most carers life is somewhat of a daily struggle of competing demands, but for those living on low incomes everyday living can be particularly difficult. The majority of carers are in fact of workforce age and many would like to work, but their caring responsibilities are significant barriers to full-time work and to having careers. Many have to be content with low-paid and insecure jobs, if they can get work at all.<sup>66</sup>

16.72 Carers Australia argued that income support arrangements for carers could be improved by doubling the rate of Carer Allowance to \$90.10 per week in recognition of the high cost of care incurred by the carer; and that people receiving the Carer Payment should be automatically eligible to receive the Carer Allowance. ACOSS similarly argued that Carer Allowance should be paid to the primary carers of adults and children with disabilities that require a level of care that is sufficient to qualify for Carer Payment. Carers Australia also argued for the introduction of a transport allowance for primary carers to assist the carer in their caring responsibilities and enable the carer to access services and participate in community activities.<sup>67</sup>

### ***Respite care***

16.73 Evidence also indicated that more respite care needs to be available for carers. In relation to the unmet needs of carers, the AIHW study referred to earlier, noted that in 1998 there were an estimated 23 600 primary carers of people with disabilities aged under 65 years who reported that they had never received respite care but needed it, and a further 17 000 who had received it at some stage but needed more. In relation to older carers, it was estimated that 5300 primary carers had either never received respite and wanted it, or had received it in the previous three months but wanted more.<sup>68</sup>

16.74 A number of respite care programs currently operate. The National Respite for Carers Program funds Commonwealth Carer Respite Centres, State-based Commonwealth Carer Resource Centres, and a number of projects to assist carers of people with dementia. Funding for the program increased from \$19 million in 1996-97 to \$88 million in 2002-03. Residential respite care also provides assistance to carers facing other critical demands, their own health or personal needs, and the opportunity

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65 *Submission 33*, pp.iv, 3-4 (Carers Australia). See also *Submission 158*, pp.28-30 (Disability Action).

66 *Committee Hansard 20.6.03*, p.717 (Carers Australia).

67 *Submission 33*, p.v (Carers Australia); ACOSS, *Fairness and Flexibility*, p.16; *Committee Hansard 20.6.03*, p.721 (Carers Australia).

68 *Unmet Need for Disability Services*, p.xxiii.

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to take a holiday or participate in lifestyle activities. In 2001-02, almost half of all admissions to residential aged care were for respite care.<sup>69</sup>

16.75 Evidence also emphasised that respite care needs to be delivered in more flexible ways. Carers Australia noted that:

The respite out there at the moment is largely supplier driven rather than demand driven, so the carer has to fit in with what is available rather than the other way round. We need a big change in attitude from the supplier point of view to make it much more flexible.<sup>70</sup>

16.76 Carers Australia also drew attention to particular subgroups of carers that are likely to face financial difficulties, including:

- Young carers – there are an estimated 18 800 young carers under the age of 25 years (based on the 1998 ABS carer survey). Over 50 per cent of them are caring for a parent in a sole parent household. Their caring responsibilities are likely to have a substantial impact on all aspects of their lives, including their capacity to engage in education or employment and their ability to participate socially. Their financial situation is often precarious.
- Single parents – there are approximately 40 300 single parents receiving Carer Allowance and caring for children under 16 years. The majority of these people are relying on government income support and many face difficult financial circumstances.
- Ageing carers – there are increasing numbers of life-long carers of children with disabilities, and as these carers age their own health is likely to deteriorate and place a strain on their limited resources with alternative support likely to be required for their children.
- Low income carers – this group of carers have the pressures of attempting to manage financially in addition to their caring responsibilities and associated costs. To remain in employment requires flexible work practices, support in the form of alternative care arrangements and financial assistance with the costs of caring.<sup>71</sup>

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69 *Australia's Welfare 2003*, p.80.

70 *Committee Hansard 20.6.03*, p.719 (Carers Australia). See also *Submission 158*, p.30 (Disability Action).

71 *Submission 33*, pp.9-11 (Carers Australia); *Committee Hansard 20.6.03*, p.722 (Carers Australia).

**Recommendation 85****16.77 That the Commonwealth Government review:**

- the level of income support provided to carers, especially the rate of Carer Allowance;
- the income support and other support needs of carers with special needs, such as young carers and ageing carers (also the subject of a separate recommendation); and
- the level of respite care provided for carers.

**Recommendation 86**

**16.78 That where young carers have primary care responsibilities in their families, adequate financial support measures be available, including removing current restrictions that discourage young people from combining paid work or study with their caring responsibilities.**

**Recommendation 87**

**16.79 That, as a matter of priority, the Commonwealth relax the rules for adult carers who live adjacent or near to the person they are caring for to enable them to receive Carer Allowance.**

## CHAPTER 17

### SERVICE PROVIDERS

*You think things will get better, but somehow they never seem to.*<sup>1</sup>

17.1 People in crisis can seek support from many community services and support groups. These agencies range from small volunteer groups to national organisations including St Vincent de Paul, The Smith Family, Salvation Army, Mission Australia, Anglicare, UnitingCare and Lifeline. Local government also provides services including childcare and emergency support. Commonwealth financial support is delivered through Centrelink offices across the country.

#### **Community service sector**

17.2 There has been a long history of provision of community services by non-government organisations in Australia. Over time the face of the community service sector has changed. The non-government community services sector is now very large and encompasses many organisations.<sup>2</sup> TasCOSS noted that:

At a community level, we have witnessed a transition from relatively informal systems of support based on local organisations/networks (e.g., church-based charitable groups, service clubs, etc) to more formalised structures that are dependent on grant funding from government sources.<sup>3</sup>

17.3 Agencies are no longer 'low-key places for a cup of tea and a friendly chat':

They are expected to be competent and professional organisations and need to consider a whole raft of administrative and operational responsibilities such as policies and procedures; forward planning and budgeting; insurance; access and equity in services; volunteer recruitment, training and support; occupational health and safety; performance reviews; incorporation requirements; annual audits; and annual reports.<sup>4</sup>

17.4 Services provide assistance to homeless persons, the aged, youth, families, children, Indigenous Australians, migrants and refugees, people with disabilities, people with mental illness, people with drug and alcohol problems, people with and families shattered by problem gambling, and people who require personal counselling

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1 Salvation Army, Newcastle. Notes from Committee inspections, Newcastle 29.5.03.

2 Industry Commission, *Charitable Organisations in Australia*, Report No.45, 16 June 1995, Chapter 1 – the role and structure of the charitable sector in Australian society.

3 *Submission 176*, p.13 (TasCOSS).

4 *Committee Hansard* 28.5.03, p.481 (Holroyd City Council).

or financial counselling. There is assistance through emergency relief such as food vouchers and payment of utilities bills; there is research into poverty and social issues; and there is the development and implementation of innovative programs to reduce poverty or to moderate its effects.

17.5 It is difficult to accurately identify the resources being utilised by community service organisations to help low income and disadvantaged Australians. The Australian Institute of Health and Welfare indicated that the total value of the welfare services provided during 2000-01 was estimated at \$43.2 billion, of which \$13.7 billion related to expenditure incurred. Non-government community service organisations incurred expenditure of \$6.9 billion and government (Commonwealth, State and Territory and local) incurred \$6.6 billion.<sup>5</sup>

17.6 The ABS 1999-2000 survey on community services provided an overview of the whole sector. The survey only included organisations with employees. In June 2000 there were 2,800 'for profit' organisations, 5,938 'not for profit' organisations and 548 government organisations. Expenditure for 1999-2000 was estimated at \$12.6 billion.<sup>6</sup>

17.7 An ACOSS survey in 2003 provided information on the organisations which assist low income and disadvantaged Australians. The survey was based on responses from 26 per cent of the primarily not for profit member organisations of the State and Territory Councils of Social Service. These organisations assisted 2,382,799 people through the provision of services including aged care, family support, advocacy, crisis assistance and housing assistance. Clientele access services by themselves or may be referred by Centrelink, the courts or by other welfare agencies.<sup>7</sup>

17.8 Organisations rely on multiple sources for their funding including government sources, client fees, donations, and contributions from business.

*Laverton Community Centre and Neighbourhood House;*

Emergency Financial & Material Aid [Commonwealth FaCS funded];

Financial & Family Counselling [City of Hobsons Bay funded];

Access to Court Fund to assist Emergency Relief program [Sunshine Magistrates Court];

No Interest Loan Scheme [Community Funded – initial donation];

Respite Child Care [State Human Services funded].<sup>8</sup>

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5 AIHW, *Australia's Welfare 2003*, p.123.

6 ABS, *Community Services Australia 1999-2000*, ABS Catalogue no 8696.0.

7 ACOSS, *Australians Living on the Edge Survey of the Community Services Sector*, ACOSS Paper 125, January 2003, p.5.

8 *Submission 63*, p.4 (Laverton Community Centre & Neighbourhood House Inc).

17.9 Commonwealth funding is provided through the Emergency Relief Program. Grants are made to a range of community and charitable organisations to provide emergency assistance to individuals and families in financial crisis. Assistance is provided in the form of food vouchers, assistance with accommodation, payment of outstanding accounts and sometimes cash. Consideration is being given to the future direction of the Emergency Relief Program through a comprehensive consultation process with emergency relief providers and other relevant stakeholders. The Commonwealth will provide \$28.9 million for the Emergency Relief Program in 2003-04 to some 900 agencies for distribution through more than 1400 emergency relief outlets. The Program also provides funds for training and support to Emergency Relief agencies.<sup>9</sup>

17.10 FaCS released an Emergency Relief discussion paper in March 2003 that focused on community linkages and client outcomes, accountability and effectiveness and service delivery. Throughout the discussion paper process, agencies expressed support for the collection and aggregation of data about clients and their reasons for seeking emergency relief and what subsequently happens to them. FaCS indicated that because data collection is complex and agencies capacity to collect data varies, there will be a phased in approach for data collection; during 2003-04 only minimal data will be collected.<sup>10</sup>

17.11 The Commonwealth also provides funds for community agencies to assist people with a range of personal problems through a number of other programs, including the *Australians Working Together*, the Stronger Families and Communities Strategy, the Supported Assistance Accommodation Program and the Family Relationships Program.<sup>11</sup>

17.12 Organisations also receive funding through State and Territory Government programs.

### ***Provision of services***

17.13 People seek assistance from community service organisations for many reasons: they may need immediate financial assistance to provide food and help with utilities bills; they may need on-going assistance to find suitable accommodation or financial counselling; they may be escaping domestic violence or they may need help in dealing with government agencies. The range of reasons for people seeking assistance is huge. As already noted, many agencies provide emergency relief; however there has been a growth in the provision of other services which look beyond

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9 FaCS, *Portfolio Budget Statements 2003-04*, pp.109, 122.

10 FaCS, *Annual Report 2002-03*, Volume 2, pp.123-24.

11 FaCS, *Discussion Paper Emergency Relief Program*, March 2003, p.5.

just emergency relief to longer term management of complex problems, and prevention and early intervention programs.

### ***Increasing demand for services***

17.14 There was overwhelming evidence that community service agencies were under increasing pressure to provide additional services with very limited resources. The impact of the increased demand on services was dramatically illustrated in evidence from Fairfield Community Aid:

I came to this agency in 1995 as a volunteer and at that time we saw 12 to 15 clients a day. We now see at least 30 a day and it is more common to have 50 people come to the office. One day we saw 69 and it would have been 71 except two agreed to come back the next day. The other 69 were all desperate for help and sat and waited for hours on end for a small food voucher. (\$20 to \$30 for a single and \$50 to \$60 for a family). This is suburban Sydney, NSW in the 21<sup>st</sup> Century! Doesn't sound much like 'the Lucky Country' does it?

*Submission 75, p.1 (Fairfield Community Aid).*

17.15 The Committee received other examples of increasing demand for services:

- Welfare Rights and Advocacy Service, WA, has seen a 240 per cent increase in demand for services over the last four years as a result of people seeking information and assistance with Centrelink matters.<sup>12</sup>
- Western Australian relief agencies paid approximately \$1.34 million to utility service providers to prevent disconnection or restriction of supply to low-income and disadvantaged consumers in 2002-03.<sup>13</sup>
- Anglicare Wollongong stated that its emergency relief service has increased 20 per cent per year from 1999. Active case records have increased to 3,900 clients. 90 per cent of those interviewed reported Centrelink income as their main source of income. There has been an increase in older people (over 65 years) and younger people (under 20 years) accessing the service.<sup>14</sup>
- St Vincent de Paul, Raymond Terrace is providing \$7,000 worth of Bilo food vouchers per month.<sup>15</sup>

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12 *Committee Hansard* 28.7.03, p.1030 (Welfare Rights and Advocacy Service).

13 *Committee Hansard* 28.7.03, p.1028 (WACOSS).

14 *Submission* 226, p.1 (Anglicare Wollongong).

15 *Submission* 213, p.3 (SVDP, Raymond Terrace).



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- St Vincent de Paul, Newcastle Northern Regional Council distributed over \$83,432 in food alone in nine months.<sup>16</sup>
  - Fairfield Migrant Resource Centre stated that 'the services in Fairfield area that provide emergency relief to those living in poverty are now constantly over-stretched, and we are seeing very little from the government to provide a way out of poverty'.<sup>17</sup>
  - St Vincent de Paul, Townsville has nine conferences with 88 members. There were 3,542 helpline calls in 2001-02. In 2002-03 it jumped to 6,332 calls. A second phone was put in response to the demand but it is still difficult as volunteers are older people who assist at night-time when they finish work, or in their afternoons.<sup>18</sup>
  - St Vincent de Paul, Central Illawarra has provided telephone vouchers to the value of \$14,500 for in home lines in the Central Illawarra since the scheme commenced in 2003-03.<sup>19</sup>
  - Lismore and District Financial Counselling experienced a 30 per cent increase in the number of clients it helps. The number of clients seen in the first six months of 2003 would have been almost a years worth three years ago.<sup>20</sup>
  - Lifeline Northern Rivers has seen a 130 per cent increase in the last two years for requests for material assistance and over 5,000 crisis telephone calls from people in the northern rivers region.<sup>21</sup>
  - Lifeline Darling Downs receives about \$68,000 of combined Commonwealth and State emergency relief funding per year with about \$120,000 per year in aid distributed at the moment. 'It is like a revolving door. Often we do not have enough to meet demand. In smaller areas, where their allocations have run out, they will refer them back to larger centres like Toowoomba, particularly during peak times of Easter, Christmas and school holidays'.<sup>22</sup>

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16 *Submission 197*, p.1 (SVDP, Newcastle North Regional Council).

17 *Submission 62*, p.4 (Fairfield Migrant Resource Centre).

18 *Committee Hansard 6.8.03*, p.1268 (SVDP, Townsville).

19 *Submission 227*, p.1 (SVDP, Central Illawarra)

20 *Committee Hansard 1.7.03*, p.827 (Lismore & District Financial Counselling).

21 *Committee Hansard 1.7.03*, p.833 (Lifeline Northern Rivers).

22 *Committee Hansard 4.8.03*, p.1184 (Lifeline Dowling Downs).

The assistance described above does not include the huge amount of in-kind assistance that is provided such as clothing and furniture.

17.16 The ACOSS survey of community services organisations shows the increase in demand for services across the sector:

- the number of people seeking assistance from community welfare agencies increased by 12 per cent from the 2000-01 to the 2001-02 financial year;
- despite agencies helping 2.4 million people across Australia in this period, another 180,000 people did not receive the assistance they sought in 2002, representing a 19 per cent increase from the previous year;
- the greatest unmet need was in the housing area where 29 per cent of the client base did not receive the services they sought; and
- many organisations (42 per cent) did not expect that they would be able to meet an increase in demand and/or costs over the next twelve months.<sup>23</sup>

17.17 Agencies indicated that there has been a large increase in the number of client groups and people who had not previously sought assistance. These groups included the 'working poor' and homeless persons/families due to the high cost of private rental. One agency noted that of the 500 clients that they had seen up to 30 April 2003, 19.8 per cent have been working residents not in receipt of government benefits.<sup>24</sup>

17.18 Agencies have also reported an increased demand for services in rural and regional areas:

Over the past 12 months or so we've seen an increasing number of people who have never needed to use emergency relief before: two-parent families, lower income working people, unemployed singles—particularly men—those who have been in small business but have been unable to cope with the overheads associated with employing workers, the public liability insurance, workers compensation and administrative requirements around GST et cetera. There is a combination of reasons for this increase in emergency relief clientele and the changing nature of these groups. The cost of living has always been higher in rural areas but it is increasing to a level that is unimaginable for many. This has worsened since the introduction of GST. As well, Centrelink breaching and the impacts that breaching often may have on a family budget means that both singles and families may be left for extended periods of time without enough money to live on.

*Committee Hansard* 28.7.03, p.1027 (WACOSS).

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23 ACOSS, p.5.

24 *Committee Hansard* 1.5.03, p.161 (Laverton Community Centre & Neighbourhood House).

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### ***Impact on welfare services of people being breached***

17.19 Many witnesses also indicated that the breaching of recipients of support payments had increased the number of people coming to agencies seeking assistance. One agency described the increase as an 'explosion' while another stated that it was a massive issue and probably represents one of the single biggest impacts on people seeking assistance.<sup>25</sup> Another witnesses stated 'we certainly are staggered...by the number of people who come in clearly distressed, aggravated and in crisis as a consequence of the change that has occurred with their Centrelink benefits; they have been breached, their circumstances have changed or there has been a change in their regime of payment and that has caused great grief and they do not have money for two weeks or 10 days and things like that'.<sup>26</sup>

17.20 People who are breached have turned, or been directed by Centrelink, to community service agencies for assistance in the form of food, clothing, money and accommodation. The Salvation Army Southern Territory commented that 'ER services have had to increasingly "step into the breach" created by periods of reduced or cancelled unemployment benefits either to provide additional support or to attempt to undo the rapidly escalating damage that can be precipitated by these penalties'.<sup>27</sup> The Salvation Army Ballarat stated that it 'steps into the gap daily when the intended safety net of our social security system breaks down. Gaps occur through breaching, waiting periods, delays in payments, overpayments, administrative errors and misinformation. Penalties drive the poor deeper into hardship and poverty'.<sup>28</sup>

17.21 Agencies are also dealing with very distressed people, particularly those that have been breached: 'the problem of people being breached—coming to us straight from a Centrelink office—is a real one. They are often very angry and frustrated at what has occurred for them there. They come to us and if we cannot meet their need, their frustration level immediately is that much higher and it is more difficult for us to manage'.<sup>29</sup> Anglicare Illawarra explained:

We are now experiencing at least one serious incident—an incident that we document—a week involving people who have become violent or aggressive. Every time, their behaviour is linked to the withdrawal of benefits from Centrelink and to Centrelink directing people.<sup>30</sup>

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25 *Committee Hansard* 2.7.03, p.964 (SVDP Wollongong).

26 *Committee Hansard* 2.7.03, p.931 (Anglicare Illawarra).

27 *Submission* 166, p.32 (Salvation Army Southern Territory).

28 *Committee Hansard* 30.6.03, p.746 (Salvation Army Ballarat).

29 *Committee Hansard* 2.7.03, p.941 (Anglicare Illawarra).

30 *Committee Hansard* 2.7.03, p.931 (Anglicare Illawarra).

### *Emerging and complex problems from people seeking assistance*

17.22 Not only is there an increase in the number of people approaching agencies, but also the number of people with long-term and/or complex issues. Often these are people who present with multiple issues including mental health, drug and alcohol dependency and disabilities that require long term commitment by agencies to stabilise or resolve crises. People presenting with these issues need long term specialist care; however, agencies report great difficulty in finding the right services, particularly in the areas of mental health, supported accommodation and addictions recovery programs.<sup>31</sup>

17.23 Witnesses added that there is a new set of emerging problems. For example, changes in housing and rental markets have led to the increased use of caravan parks for those who cannot access permanent accommodation. Caravan parks present particular problems for the tenants and are subject to redevelopment as have inner city boarding houses. If this occurs there is a significant impact on families living in this type of accommodation and a great demand on agencies to assist former tenants to find alternative accommodation. One example received by the Committee was of a caravan park where the owner could no longer find suitable insurance cover so that all families in the park were evicted. A number of agencies responded, along with State and local government, to find housing and white goods and furniture for the families evicted. In this instance, a great deal of resources were called upon to assist families.<sup>32</sup>

17.24 Accommodation generally is one area of major concern. The Committee received extensive evidence of the lack of crisis accommodation and low cost accommodation that agencies can access. When there is no accommodation available, even at low cost motels, agencies can do nothing but turn people away. Lifeline Northern Rivers for example, stated that it had turned away 474 adults plus 300 children from its family service.<sup>33</sup> Many agencies indicated similar problems.

17.25 Agencies have also found that there is a high demand for personal and relationship and financial counselling yet this is very poorly funded and has long waiting lists.<sup>34</sup> Cranbourne Information and Support Service, a small Victorian agency providing financial counselling highlighted this problem:

The financial counsellor based at our organisation three days a week is the only one in the area and is so overwhelmed by the complex cases involving families losing their homes due to ever-increasing debt and never-increasing

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31 *Committee Hansard* 2.7.03, p.964 (SVDP, Illawarra).

32 *Committee Hansard* 4.8.03, p.1189 (Lifeline Brisbane).

33 *Committee Hansard* 1.7.03, p.853 (Lifeline Northern Rivers).

34 *Submissions* 138, p.3 (Knox City Council – Family Support & Community Education Service); 183, p.2 (WACOSS); 231, p.2 (Centacare Ballarat).

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income, and the demand for bankruptcies, that for the first time a waiting list has been instituted (it is already almost four weeks long).<sup>35</sup>

17.26 Agencies also reported an increase in calls for assistance to get children back to school.<sup>36</sup> The Salvation Army Southern Territory has responded by establishing a range of services including book swapping programs and other advice to assist parents to minimise the costs 'but with such dramatic increases in need for our programs the Salvation Army will find it increasingly difficult to respond without supplementary changes to policy to assist poor families'.<sup>37</sup>

17.27 Another emerging area of assistance to children has been the provision of breakfast. In the Newcastle region, St Vincent de Paul supported the Red Cross Breakfast Club and contributed over \$1,200 in six months to provide breakfast for children who would otherwise go to school hungry. In one primary school of 400 pupils in the Newcastle region, the Breakfast Club averages between 27 and 40 children attending for breakfast each morning.<sup>38</sup>

17.28 Agencies also report calls for assistance in paying for funeral expenses.<sup>39</sup>

### ***Impact on welfare workers of increasing demands***

17.29 Many agencies indicated that increasing calls for assistance in an environment of financial constraint was putting a severe strain on their staff. Community service organisations have responded to the demand for increased services by relying on staff to do extra but unpaid work and turning to volunteers to help out. This is an extra burden for both staff and volunteers. St Vincent de Paul Raymond Terraced stated 'volunteers are finding there is insufficient time to properly assist people with material assistance, many of who relish the opportunity to have a one on one discussion with a willing listener'.<sup>40</sup>

17.30 The situation in some areas is more acute. The Salvation Army Darwin stated:

Welfare workers are being burnt out under the constant strain of daily interaction with clients. These clients can sometimes be abusive, are often under emotional pressure and there are no longer quick fix solutions for them. This places a strain on my welfare workers and the strain they are

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35 *Submission* 61, p.4 (Cranbourne Information and Support Service).

36 See for example, *Submission* 171, p.3 (Southern Peninsula Community Support & Information Centre).

37 *Submission* 166, p.19 (The Salvation Army Southern Territory).

38 *Committee Hansard* 29.5.03, p.577; *Submission* 214, p.1 (SVDP, Lower Hunter Region).

39 See for example, *Submission* 214, p.3 (SVDP, Lower Hunter Region).

40 *Submission* 213, p.3 (SVSP, Raymond Terrace)

under reduces the quality of care the Salvation Army is wanting to provide to clients. We are not able to always respond to our clients' needs in the best possible way. As a result of that, we have now introduced regular supervision for welfare workers but this has been an increased cost for the programs we are providing.<sup>41</sup>

17.31 A further problem for some agencies is the reliance on an ageing population of volunteers. There was evidence that smaller organizations are closing because members are getting older and cannot continue to provide assistance.<sup>42</sup>

17.32 Agencies have responded by forming waiting lists, increasing referrals and closer targeting of services. However, this is discouraging for both staff and clients, and can be counter productive – people in need may not come back to access the services they require or return with greater and more complex needs.

17.33 In some areas, the problems have become so great that organisations have withdrawn from providing emergency relief services. This adds to the pressures on those agencies left providing assistance. For example, in the Campbelltown area three of the six major charities involved in forms of direct assistance have either pulled out completely or reduced their assistance in the last two years.<sup>43</sup> St Vincent de Paul, Lismore stated that there had been seven family services in the diocese of Tweed Heads and Port Macquarie in the early 1990s. However, owing to occupational health and safety issues, funding, and lack of support and recognition from the government and community only one remains open.<sup>44</sup>

17.34 While services are trying to cover the increased demand with limited resources, there has also been an increase in costs for community service organisations. ACOSS noted that a third of the agencies who responded to its survey indicated that they had experienced difficulties in obtaining insurance in 2001-02. The cost of insurance was the major difficulty, while some agencies had been refused cover. Three quarters of all respondents indicated that they are paying more for insurance in 2002-03 than in 2001-02 with an average increase per agency of \$5,287.<sup>45</sup>

17.35 Individual services provided the Committee with evidence on the extent of unmet demand. For example, the Salvation Army Ballarat indicated that it was turning away 100 clients a month on average as they do not have the workers or funding for

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41 *Committee Hansard* 29.7.03, p.1096 (The Salvation Army Darwin).

42 *Committee Hansard* 1.5.03, pp.135-36 (Knox City Council).

43 *Committee Hansard* 2.7.03, p.964 (SVDP, Wollongong).

44 *Committee Hansard* 1.7.03, p.853 (SVDP, Lismore).

45 ACOSS, p.22.

emergency relief.<sup>46</sup> Southlakes Refuge in the Lake Macquarie area of NSW provides accommodation for 15 people and is staffed by 61 trained volunteers. The Refuge is funded by an Op-Shop also staffed by volunteers. During 2001-02 the Refuge accommodated 129 people but turned away 519 people.<sup>47</sup>

17.36 The increase in unmet demand placed welfare agencies in a difficult position. TasCOSS stated:

Regular surveys of unmet need levels, and the resulting pressures on community service organisation (e.g., ACOSS Australians Living on the Edge Survey findings) demonstrate that the non-government sector is unable to address the level and complexity of need arising in our communities. In a state such as Tasmania, with labour market and demographic characteristics that drive up poverty levels, this trend is even more evident. Non-government organisations are doing more with less, finding efficiencies wherever possible, but still failing to confront the needs they identify in their respective client populations.<sup>48</sup>

17.37 Many agencies argued that the funds available from the Commonwealth are plainly inadequate to meet demand and government had failed to recognise this:

We receive just under \$11,000 from FaCS to fund our emergency relief program, and yet the demand is such that we are spending nearly \$3000 each month. Already in January and February this year, the demand has increased to such an alarming rate that we are restricting our criteria for assistance and still turning people away in order to keep to our emergency relief budget. I suspect this trend will increase, and we will be faced with an emergency relief crisis in our area within a year if we are not provided with increased funding.<sup>49</sup>

17.38 The Salvation Army Darwin also noted that it had not received additional funds for a number of years even though the population of Darwin had increased: 'the amount of money we have simply gets smaller as the population increases'.<sup>50</sup> Southern Peninsula Community Support and Information Centre stated that while Emergency Relief is crucial for the Centre to continue to assist those living in poverty, if the Centre did not receive financial assistance from other sources, such as donations, it would not assist all in need.<sup>51</sup>

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46 *Committee Hansard* 30.6.03, p.753 (Salvation Army Ballarat).

47 *Submission* 20, p.3 (Southlakes Refuge).

48 *Submission* 176, p.14 (TasCOSS).

49 *Submission* 61, p.3 (Cranbourne Information and Support Service).

50 *Committee Hansard* 29.7.03, p.1097 (The Salvation Army Darwin).

51 *Submission* 171, p.6 (Southern Peninsula Community Support & Information Centre).

**17.39 Lifeline Northern Rivers commented:**

I feel that more needs to be done to recognise community organisations like ours, which do not attract public funding, but are meeting an increasing and unrecognised demand for welfare recipients. This is brought about because I believe governments at all levels want to save a few dollars, bury their heads in the sand and absolve themselves of any community responsibility to assist these Australian citizens.<sup>52</sup>

**Recommendation 88****17.40 That the Commonwealth increase the current level of emergency relief funds allocated to agencies.**

17.41 The plight of small community organisations in rural and regional Australia was also discussed in evidence. The continuing drought and increasing financial problems in rural areas, has resulted in people withdrawing from their positions in community organisations. Lifeline North Queensland noted that there are fewer people to actually run and meet all the legislative and financial requirements of a committee of management, 'so you are putting further and further drain on fewer and fewer resources, which means that there are more communities which are more stressed and therefore looking outside'. As a result communities cannot draw in extra services as government requires people who are able to meet statutory requirements:

They are looking for strong, active, participatory communities that can put up those sorts of committees, and that is really tough when everybody is exhausted and really concerned about whether they can feed their family tonight when they have been the ones who have been out there and they have given \$1,000 last year to the old people's home for a new bed, or whatever. Because we are relying more and more on the community to buy palliative beds in smaller communities, we are relying on the community to raise money for a cancer appeal or to help a family whose house has burnt down, people are being really stretched, and that affects their own self-esteem and their own capacity to continue. So some people will not go off the farm. I have letters from people right up and down the eastern seaboard saying, 'I no longer participate in anything because I am too ashamed to do so,' and that is really tough.<sup>53</sup>

***Beyond emergency support – longer term outcomes***

17.42 Agencies acknowledged that while there is a growing demand for emergency support, there is a need to introduce longer term support for clients and a more coordinated approach to the increasingly complex cases that they are dealing with. Unless this occurs, people will not be able to move out of poverty and their

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52 *Submission 217*, p.3 (Lifeline Northern Rivers).

53 *Committee Hansard 6.8.03*, pp.1247-48 (Lifeline Northern Queensland).



disadvantaged situations and 'break the cycle of handout mentality we have'. The Salvation Army Darwin stated 'it is unfortunate that today many people consider the welfare handout as part of their budget and rely on it. That is something we have to try and break and encourage them to look for alternative sources'.<sup>54</sup>

17.43 The Smith Family also commented that it saw itself as:

...about the prevention of poverty in Australia, in both the short-term and long-term way. To work towards that end we have a framework, at the heart of which is a strategic focus on education and lifelong learning... We come out of an over 81-year history probably acknowledged by most people in the community as a welfare agency, but we are changing ourselves, on the basis of our internal research capacity and our work with other researchers, to become an organisation dedicated in an evidence based way to preventing poverty and to building the capacity of young children and families in disadvantage throughout Australia.<sup>55</sup>

17.44 The community sector suggested a number of pathways to achieve better long-term outcomes. One is the introduction of case management. Case management would offer greater support to clients and assist them in accessing the services they need. However, agencies indicated that lack of funds and the pressure from emergency relief cases impacted adversely on their ability to provide effective case management. Anglicare Illawarra stated:

We also believe that there need to be funded resources, again delivered through government to organisations like ours, Barnados and community centres that are involved at the coalface of poverty, to undertake more involved case management with people working in the area. It is not good enough for the people with whom we are working for us to be able to offer them only a half-hour, 45-minute or one-hour appointment to try to resolve issues and difficulties.

Quite often we will see people once a week for a year to try to work through stuff. Again, that puts a strain on our resources, but it is work that just needs to be done. If we had additional resources to implement case management approaches so that we could really interface effectively with mental health team and drug and alcohol workers in the city, and look at interfacing with regard to accommodation and how we might do that differently in this city, then we might actually be able to start addressing some of these concerns structurally much more effectively than we can currently.<sup>56</sup>

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54 *Committee Hansard* 29.7.03, p.1097 (The Salvation Army Darwin).

55 *Committee Hansard* 27.5.03, p.379 (The Smith Family).

56 *Committee Hansard* 2.7.03, p.933 (Anglicare Illawarra).

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### ***Early intervention and prevention programs***

17.45 Another way of providing long-term support is through early intervention and prevention programs. Many organisations both on a national and local level have instituted programs aimed at lifting people out of poverty. Programs are aimed at all age groups: from occasional care for children and parenting programs, to school assistance programs through the supply of books and computers, to adult literacy and training programs. Some examples provided to the Committee include:

- The Smith Family provides substantial funding for its Learning for Life strategy and program. The program provides financial assistance, educational support for students and their families and mentoring. It is established in compulsory and tertiary education and is being extended to preschool and early childhood.<sup>57</sup>
- Home Instruction for Parents of Preschool Youngsters (HIPPY) established by the Brotherhood of St Laurence supports parent to take an active role in the education of their pre-school age children in the home. The Brotherhood also runs a homework centre at Fitzroy which provides academic and personal support for secondary school students.<sup>58</sup>
- Pathways to Prevention Project is a partnership initiative for Mission Australia and a range of educational, government and business organisations. It targets preschool age children, their families, schools and communities with early intervention programs designed to help children make a successful transition from home to school.<sup>59</sup>
- The Ark Olive Branch Café run by the Salvation Army in Newcastle is a fully functioning café restaurant providing nationally accredited training in hospitality operations targeting disadvantaged youth. The hands on training, under the close guidance and supervision of industry qualified trainers, equips the trainees with real day to day knowledge and experience in an inner city café restaurant. Assistance with placement is provided upon completion of training and a high employment rate reflects the success of the program.<sup>60</sup>
- The Samaritans Foundation in Newcastle, in response to high levels of unemployment, has established a gardening and home maintenance

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57 *Committee Hansard* 27.5.03, p.379 (The Smith Family).

58 *Submission* 98, p.27 (BSL).

59 *Committee Hansard* 4.8.03, pp.1209-13 (Mission Australia).

60 Information from inspections by the Committee, Newcastle 29.5.03.

business run by tenants in a housing estate and a job assistance centre and Internet café in Muswellbrook.<sup>61</sup>

- Laverton Community Centre and Neighbourhood House operate a Community Children's Centre which houses all their child care programs as well as a Post Natal Depression Group, Out-posted Family Counsellors, In Home Support Workers, new mothers groups and other services that have children or their families as a focus. All services are free or fit under the not for profit category.<sup>62</sup>
- Southern Peninsula Community Support and Information Centre in Victoria has initiated a Budget Support Program. The Program was set up as normal budget counselling methods had not worked with clients. Clients who enter the program are given support to bring their budget into balance, training in how to manage their money and deal with financial issues and support with other issues arising from poverty. The Centre stated 'this program is being very successful and there are financial benefits arising from savings in present and future emergency relief funds. It would be good for such an innovative program to have further funding and wider application.'<sup>63</sup>
- St Vincent de Paul Society, Lismore, manages a number of homes in conjunction with the NSW Housing Department. The homes are rented to disadvantaged families at a low rent for approximately 12 months. The Society assists families with budgeting and other skills development. This has proved successful and 'families have been able to set themselves up to take care of their own destiny at the end of that period because the rent is so low and the help is ongoing.' Families have been able to move into other rental accommodation and one family saved enough to buy their own small home.<sup>64</sup>

### ***Cooperation and increased community capacity***

17.46 Agencies also pointed to the need to increase cooperation between organisations to provide a uniform approach. Cooperation strengthens community networks and provides a greater spread and balance of services.

Other recommendations include—and this is through organisations that are working in the delivery of emergency relief services, and there is a number

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61 *Submission* 149, p.4 (Samaritans Foundation).

62 *Submission* 63, p.4 (Laverton Community Centre & Neighbourhood House).

63 *Submission* 171, p.7 (Southern Peninsula Community Support & Information Centre).

64 *Committee Hansard* 1.7.03, p.848 (SVDP, Lismore).

of them in this city—a uniform approach to policies, service standards and assessment and training by agencies involved in the provision of emergency relief; and training to include specialist approaches to working with mental health and drug and alcohol issues. It is really critical that, if that work is to be ongoing and involve different agencies, we are provided with the resources to skill our workers to do their job effectively. For us that is not currently provided for through the emergency relief funding as administered by Family and Community Services.<sup>65</sup>

17.47 However, there were concerns about the change in the community welfare sector. TasCOSS commented that dependence on government funding has seen a loss of valued structures in many smaller centres and a greater reliance on services that may in some instances only be accessed from large, more distant centres.<sup>66</sup> This view was echoed in other comments that access to State and/or Commonwealth funding for resources is not easily achieved by local community groups and that 'statewide and regional projects appear to be preferred and short term, self sustaining projects are preferred to ongoing salary commitment'.<sup>67</sup>

17.48 Lifeline Brisbane also commented that competitive funding is a major problem. As Lifeline is mostly self-funded, it was argued that it could be more cooperative and collaborative. However, this may not be the case with other agencies which depend solely on government income:

They might get the funding, and you might miss out. It is just not going to happen, is it? Up to a point it can work well. With a lot of people putting work in on the ground we can all cooperate up to a point, but not to the point where you might miss out on the funding you need. I think that is a major problem with competitive funding models of all sorts.<sup>68</sup>

17.49 TasCOSS concluded:

The very real growth that has occurred in support systems in recent years has been in services provided by non-government organisations. Much of this apparent growth, however, has in fact been an 'outsourcing' of services that had once been 'mainstream' government-provided services (e.g., disability services, job-placement services), while others have reflected changes to demographic patterns (e.g., ageing) without addressing the complex needs of low-income households. Specifically, there has been no real growth in services for families isolated from communities by the impacts of poverty. Family support services and generalist community-

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65 *Committee Hansard* 2.7.03, p.933 (Anglicare Illawarra).

66 *Submission* 176, p.13 (TasCOSS).

67 *Submission* 111, p.4 (Casey North Community Information & Support Service).

68 *Committee Hansard* 4.8.03, p.1190 (Lifeline Brisbane).

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capacity building services are still very much the poor relation of community services funding.

...Worse, it has become clear to TasCOSS – as the peak community welfare organisation in Tasmania – that our community service organisations are now so focused on the day-to-day provision of contracted services that they are less able to engage in forms of cross-sectoral support (to peer organisations), in forms of systemic advocacy on policy issues, and in forms of overtly political action to highlight government inaction. That is, the poverty-driven stresses on service systems in the non-government sector have led not to a louder clamour for public interventions but instead to a more inward-looking focus on organisations' own resources and priorities.<sup>69</sup>

17.50 TasCOSS recommended that additional resources should be devoted to explicit attempts to increase community capacity, especially in areas of demonstrable poverty. The primary focus of these measures should be the creation/re-creation of informal and formal networks of support to families. It also recommended that funding priorities to non-government service providers – through State, Commonwealth and joint programs – should be informed by an understanding of the support needs of low-income households, especially those experiencing long-term and/or whole-household unemployment. Program goals should be mapped against, and accountable in terms of, state and regional strategies to alleviate poverty.<sup>70</sup>

17.51 The importance of increased community capacity and networks is closely linked to the effectiveness and timeliness of service delivery. This can best be seen through the location of community services and the degree to which they are linked with complementary services. For example, whether an emergency relief agency is located near to or with a counselling or homeless assistance service so that the person can access case management and other services. The Newcastle City Council spoke of the need to encourage and support projects which attempt to develop collaborative partnerships between agencies.<sup>71</sup> The Committee considers that there needs to be an appropriate continuum of services in each community. This means that there needs to be universal capacity building and early assistance services at the front end, as well as targeted secondary and tertiary services to address individuals and families who are in need of additional or crisis support.

### **Conclusion**

17.52 The Committee received overwhelming evidence of the increasing demand on services provided by agencies assisting low income and disadvantaged Australians. There have been increases in calls for emergency relief and assistance with

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69 *Submission 176*, p.14 (TasCOSS).

70 *Submission 176*, p.15 (TasCOSS).

71 *Committee Hansard 29.5.03*, p.539 (Newcastle City Council).

accommodation. Agencies are also seeing people with more complex issues and multiple levels of disadvantage. Many people are seeking assistance from welfare agencies because they have been breached by Centrelink.

17.53 This has placed many agencies under considerable strain as resources are stretched to meet the needs of clients. This is of particular concern for agencies which rely on a largely volunteer workforce.

17.54 The Committee received considerable evidence of the extent of the unmet demand for services. Individual workers gave examples of many cases where their agencies have had to turn away people because, for example, there was no emergency accommodation in the area.

17.55 While the evidence on the increasing demand for emergency relief was bleak, the early intervention and prevention and intensive support programs instigated by welfare agencies provide an effective avenue to lift people out of poverty. These programs range from living skills programs to financial assistance for education. They may be based in a local community or be provided nation-wide. Whatever the case the benefits of these programs are enormous.

#### **Recommendation 89**

**17.56 That the Commonwealth government streamline the funding arrangements for all its community funding programs.**

#### **Recommendation 90**

**17.57 That the Commonwealth conduct an audit of its community funding programs to determine:**

- whether they are located in the areas of greatest need;**
- the degree to which complementary services are co-located;**
- that there is an identifiable continuum of services from capacity building through to tertiary and crisis support.**

#### **Recommendation 91**

**17.58 That COAG conduct an audit similar to that in the previous recommendation to determine the adequacy of Commonwealth, State and local government funded community services in local communities.**

#### **Local government**

17.59 Local government has for a long period provided many services to those in need in their communities. Services range from welfare services to child care and youth services. Many councils employ staff to assist residents with housing and

employment. For example, Knox City Council, Victoria, provides a Family Support and Community Education service which provides the following services to residents:

- intake, assessment and referral;
- crisis counselling;
- financial counselling;
- emergency relief;
- no interest loan scheme;
- community education;
- problem gambling counselling; and
- legal service.<sup>72</sup>

Councils also provide concessions schemes for council payments such as rates.

17.60 Like the non-government agencies, councils indicated that there had been an increase in the number of people seeking assistance. Councils commented that there was a growing demand for a variety of services, including housing assistance, and emergency assistance. Darebin City Council stated that there had been a 40 per cent increase in requests for emergency assistance between 1998 and 2000.<sup>73</sup> Knox City Council stated 'the increase in demand for assistance over the past three years and a decrease in funding provided by local donations have forced the [Council's emergency relief] network to severely limit the amount of aid provided to clients. Often assistance is minimal and therefore does not address the long-term financial issues facing the client'.<sup>74</sup>

17.61 The demand for services has been such that councils are now providing assistance in areas where they have not traditionally had a presence.

That is a funded program for which our local council had to step outside the square—that is a financial counselling program, which is usually a state government responsibility. But when you have funded services which are unit cost based and then they invert the pyramid and decide that they can only provide this many hours in financial counselling, and you end up with an eight-week waiting period, how do you address the crisis? We convinced our council that the prime responsibility of any local government is to its residents and that if state and federal are not going to address the problems then we should do it on the local level. We now have a point five position financial counsellor.

*Committee Hansard* 1.5.03, p.160 (Laverton Community Centre & Neighbourhood House).

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72 *Submission* 138, p.2 (Knox City Council).

73 *Committee Hansard* 1.5.03, p.133 (Darebin City Council).

74 *Submission* 138, p.7 (Knox City Council).

17.62 Some local government areas have experienced higher levels of demand because of urban migration, particular areas on the outer fringes of major cities. This has been driven by the gentrification and increasing housing prices in parts of major cities. Low income families are forced out of these areas into other local government areas to find cheap housing. In one Victorian local government area, for example, between the two census periods of 1996 and 2001, there was a marked increase in lowest income groups and a decrease in medium and high income.<sup>75</sup> Socioeconomic disadvantage becomes entrenched in specific localities: there are relatively high proportions of low income households and reduced access to housing, employment and educational opportunities. Increased house prices have also driven an increase in private rents which also reduces the affordability of housing.

17.63 The Welfare Rights and Advocacy Centre WA stated 'urban renewal has seen the relocation of many local families into outer fringe areas in WA, particularly in the Perth metropolitan area. Public transport infrastructure in many of these new areas is inadequate, with only one or two buses running each day. Many families now face increased costs in public transport as they are housed in public housing a long distance from a city centre.'<sup>76</sup> Poor transport further hinders efforts by low income families to find employment and to engage in educational and social activities.

17.64 The Committee received evidence from local government authorities about their efforts to improve services to low-income and disadvantaged families through coordinated approaches across their municipalities and to take a more strategic approach to reduce poverty. The City of Darebin, for example, established a Poverty Action Group. The Group looked at housing affordability and appropriateness; unemployment, paid and unpaid work; income security; gambling; and community building. Darebin stated 'primarily our actions are around research, policy development, trying to do some leadership and advocacy on areas, coordination and facilitation of services and establishing partnerships and strategic alliances to try and address some of these issues'.<sup>77</sup>

17.65 A further example is Newcastle City Council's Social Plan Advisory Committee, comprising both Council and community representatives, which guides the Council in the development of its social plan. The plan identifies key social and community needs and strategies to address those needs. The positive trend of a community sector that works collaboratively to develop innovative projects was demonstrated by the example of a plan to help a local community create enterprise.

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75 *Committee Hansard* 1.5.03, pp.161-62 (Laverton Community Centre & Neighbourhood House).

76 *Committee Hansard* 28.7.03, p.1031 (Welfare Rights and Advocacy Centre).

77 *Committee Hansard* 1.5.03, p.134 (Darebin City Council).



The aim is to develop 'a more supportive model where the communities will be identifying their needs, solving their problems and creating their own opportunities'.<sup>78</sup>

17.66 The benefits of such partnerships and strategic alliances within municipalities to focus on areas of disadvantage and improve the provision of services are great:

Where we have local government and community working together, networks are created, our services can be spread and we can make those that are responsible for the provision of services actually accountable. That way, we get a broader range of professionals.<sup>79</sup>

17.67 Fairfield City Council stated:

The development of cities involves very complex issues that require consultation with all concerned, a comprehensive and co-ordinated approach, and a level of commitment by all levels of government, and the private sector to bring about change for the better.

An example of such a program was the 'Better Cities Program' that highlighted the need for planning to be undertaken in order to secure funds for implementation of government programs. The prerequisite was a requirement to coordinate, to integrate, to partner, to innovate, to consult, to commit joint budgets and to act to achieve outcomes.

Reinstating a similar program would greatly assist in solving problems that contribute to severe poverty in the community.<sup>80</sup>

### **Conclusion**

17.68 Evidence provided to the Committee showed that the provision of services by local government varies significantly across the States, often related to the size and resources of the local council. However, the Committee heard about and saw many initiatives that have been successfully undertaken at the local level, clearly demonstrating the value of services being provided by and for the 'grass roots' level.

### **Centrelink**

17.69 For many low income and disadvantaged Australians, Centrelink is their principal point of contact with government. Centrelink provides services on behalf of ten Commonwealth departments including Family and Community Services, Health and Ageing and Veteran's Affairs.

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78 *Committee Hansard* 29.5.03, pp.537, 540 (Newcastle City Council).

79 *Committee Hansard* 1.5.03, pp.161-62 (Laverton Community Centre & Neighbourhood House).

80 *Submission* 119, p.6 (Fairfield City Council).

### *Access to and attitude of Centrelink staff*

17.70 The Committee repeatedly heard evidence during the inquiry concerning difficulties with accessing Centrelink services and the attitude of Centrelink staff. Of major concern was the relationship between Centrelink staff and the people who seek their help. The Salvation Army Eastern Territory stated that 'it has become increasingly apparent, both through observation and research, that the relationship between Centrelink, and the welfare recipient, has deteriorated to the extent that it has become plainly adversarial'. The Committee received many comments supporting this view of Centrelink staff attitude to their customers:

The customer service staff make us feel as if we are taking money out of their own pockets. We are treated as if we are all 'Dole Bludgers'.

*Submission 135, p.3 (The Salvation Army Eastern Territory).*

Quite often the admin staff look down on them and judge them because they are scruffily dressed, have no money, are on the dole and have not got a job. Some of the staff have said, 'There are jobs out there; you should go out and get one.' So they feel like they do not want to go into Centrelink, because they are judged every time they do. They sometimes get angry; therefore they get thrown out and do not access the service.

*Committee Hansard 2.7.03, p.904 (Warrawong Community Development Project).*

One male applied for the dole after working for 3 years full time, with a history of casual work since the age of 15. When he put in his application form, he felt Centrelink's staff weren't supporting him. In fact he observed that the staff treated people receiving benefits based on their appearance and sometimes gender.

This young male has a history of productive employment and yet was made to feel like a 'Blight on Society', and personally felt everyone would label him a 'Dole Bludger'. This male person has had a productive working employment record since he was 15 and achieved his V.C.E. and has furthered his academic studies at University & TAFE.

... This experience of seeking welfare support has put this person against applying for what is a rightful and justifiable claim for assistance between jobs. This raises concerns about how other "legitimate" claimants are treated and branded.

*Submission 47, p.5 (Chelsea Neighbourhood Housing Inc).*

17.71 The level of frustration and anger of people fronting Centrelink Offices or using Call Centres is often exacerbated when changes to their payments or financial circumstances have been the result of Centrelink error. A report of an evaluation of mistakes by Centrelink experienced by its customers across the employment, families and children, youth and student, retirement, and disability and carers payment streams indicated that the main types of mistakes focussed on payments being stopped or debt accrued, eligibility issues and misplaced documentation by Centrelink. The report noted that 'while it is largely inevitable that mistakes will occur in an organisation the size of Centrelink, the way these are handled, and perceptions of the seriousness of these mistakes varies widely, and as such, each mistake has a different effect on

customer perceptions of the organisation'.<sup>81</sup> Centrelink officers should have a greater understanding and sensitivity in dealing with customers who are aggrieved as a result of Centrelink's own mistakes.

17.72 There was also evidence concerning a lack of understanding of the difficulties of particular groups in accessing Centrelink services, the inflexibility of Centrelink in dealing with these groups and the lack of understanding of the impact of changes to procedures on people. The following examples provide an indication of some of the groups involved.

17.73 The particular concerns of women are sometimes not understood:

We have experienced cases where women have been penalised by Centrelink for late reporting of 'change of circumstances' often in the midst of a traumatising situation. In addition we have witnessed scenarios where Centrelink has refused to change payment details. For example, there is a 21 day waiting period for payment to be transferred from one parent to another if the initial carer of the child does not complete Centrelink documentation, even when there is clear evidence that the change has occurred. Obviously, with domestic violence this is not feasible.

*Submission 93, p.2 (Lismore Women's and Children's Refuge).*

17.74 There were examples of people with mental illness experiencing poor outcomes from their dealings with Centrelink.

We found a lady who had been living on the streets for years and if anyone deserved a pension it was her. I took her along myself to get her sorted out. She is paranoid and all these other things, and when the clerk said, 'What is your name?' she said, 'I don't have to tell you anything!' And then, of course, the guy started to put all his stuff away, 'Blow you, lady,' he said. It took days to get her sensible enough to be able to get a minimum of information. Then I found this clerk could have just signed the form, and I said, 'Why didn't you do that?' He said, 'She might rip the system off.' I find these people are too silly and too debilitated to be able to even begin to work out how to rip off the system.

*Committee Hansard 20.6.03, p.662 (UnitingCare).*

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81 *Evaluation of mistakes with Centrelink experienced by customers*, Final report, DBM Consultants, June 2003; provided to Community Affairs Legislation Committee, 2003 Supplementary Budget Estimates, Answer to Question on Notice No 209 –Attachment 5.

To me, you need to talk about the staff at Centrelink and how they treat people on the dole or on the disability support pension, especially people with mental illnesses. Say you have schizophrenia and you are frustrated and they are not helping or assisting you in any way. You lose your temper and you go off the deep end. Those people just get turfed out or whatever happens. What does the person do then? They are back on the streets. There needs to be some compassion from some of these Centrelink people.

*Committee Hansard 2.7.03, p.913 (Warrawong Community Development Project).*

17.75 An example of the impact of changes to procedure was provided in relation to itinerant clients. These people are highly mobile and they have few personal belongings. They often lose most or all of their belongings as they shift from place to place. Centrelink may require the production of a birth certificate – an item that an itinerant person is very unlikely to possess. They are then required to pay \$42 to get another birth certificate. St Vincent de Paul commented 'there is little appreciation of how mobile many people living on the breadline are; it does not translate into Centrelink policies or even allow for flexibility in Centrelink policies'.<sup>82</sup>

17.76 Illiterate clients are another group which often experiences difficulties accessing Centrelink and often are breached because they cannot respond to requests by Centrelink.

Grantleigh, 42, had problems dealing with Centrelink forms due to illiteracy. He was too ashamed to tell anyone that he could not read. Normally his wife helped him by reading out the forms but she went to hospital for four weeks for a major operation. In that time he received a letter from Centrelink. He was subsequently breached for failing to attend an interview. He did not realise he had been breached until his payments were reduced. He rang Centrelink to ask why his payments had been reduced and they informed him of the breach. First he claimed that he had not received the letter but he eventually plucked up the courage to tell them that he was illiterate. The breach was nevertheless maintained.

*Submission 46, p.17 (SACOSS).*

17.77 Another concern was the high level of debts to Centrelink. The Welfare Rights and Advocacy Service WA stated that 'there continues to be a significant effort on the part of Centrelink to raise and recover debts. Particularly targeted within this state are Indigenous people and young people, who may not have the same capacity to challenge overpayment decisions, even where there is a substantial merit to their case and provision for waiver action on the part of Centrelink exists.'<sup>83</sup>

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82 *Committee Hansard 2.7.03, p.964 (SVDP, Wollongong).*

83 *Committee Hansard 28.7.03, p.1031 (Welfare Rights and Advocacy Centre).*

17.78 Evidence from rural and regional Australia indicated that many people find contact with Centrelink 'becomes too hard' and they just give up trying to access services. People from rural areas have to use call centres and they find it difficult to access the correct information. Lifeline North Queensland stated 'they do not know what they are looking for, there they do no know what button to push'. This puts rural people at a disadvantage.<sup>84</sup>

17.79 Another example of difficulties faced when functions are moved out of local areas was provided by the Illawarra Legal Service. Centrelink has now located its debt recovery section and the compensation section in Sydney. As a result, relationships are hard to build with people in Centrelink partly because 'they are removed even one more step from their customer client base. I think the more removed you get, the more desensitised you become to the particular problems that individuals face'.<sup>85</sup> The Salvation Army described the impact for people in rural areas:

The administrative maze of debt collection in Horsham, records in Melbourne and call centres which are goodness knows where places at a disadvantage the already disadvantaged recipients in Ballarat and other rural areas. It is my belief and experience that Centrelink largely fails to understand and respond to the complexity of the needs and situations that people in poverty present with.<sup>86</sup>

17.80 The large turnover of Centrelink staff was seen as a problem by some agencies as it created difficulties for agencies and individuals to establish a working relationship with Centrelink.<sup>87</sup> In other areas, the number of specialist staff has decreased or are insufficient to deal with the demand. The Salvation Army Ballarat stated that there had been four social workers for the area but this had been reduced so that it is fairly difficult for a client to see a welfare worker.<sup>88</sup> St Vincent de Paul Lismore stated that Centrelink 'social workers today seem to filter the clients back to us to go into our budget counselling. That would suggest to me that the financial social workers in Centrelinks around Australia are overworked and only too glad to transfer the workload wherever possible, to someone else'.<sup>89</sup>

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84 *Committee Hansard* 6.8.03, p.1249 (Lifeline North Queensland).

85 *Committee Hansard* 2.7.03, p.949 (Illawarra Legal Service).

86 *Committee Hansard* 30.6.03, p.746 (Salvation Army Ballarat).

87 *Submission* 171, p.6 (Southern Peninsula Community Support & Information Centre); *Committee Hansard* 2.7.03, p.914 (CPSA).

88 *Committee Hansard* 30.6.03, p.749 (Salvation Army Ballarat).

89 *Committee Hansard* 1.7.03, p.866 (SVDP, Lismore).

### ***Pressure on agencies from people directed by Centrelink***

17.81 A number of agencies referred to the problem of Centrelink directing people to agencies without making initial contact and giving the impression that the agency will be able to provide immediate assistance. This is not always the case leading to more frustration for those seeking assistance and greater difficulties for agencies trying to help people.

I am sure that if you are working at the coal face of Centrelink, when you have got someone in distress because you are not able to assist them, it is an easier thing to say, 'Go and see that organisation, I am sure they will help you out'.<sup>90</sup>

...in all our centres we have people sent daily from Centrelink to us and the feeling of the people coming to us is that, 'It was the government that told us its here.'

They have great expectations and they are disappointed half the time.

That is right, because we cannot help everybody. We do not have the funds. We have to monitor what we are doing and be careful with the funds.<sup>91</sup>

17.82 These financial considerations lead into a broader issue raised in evidence concerning agencies being expected to take responsibility from government without additional funding, in effect providing a safety net that government was failing to do.

We are picking up those who fall out of the system, or for whom the system has failed...our funding has not increased but we are doing the work that maybe ought to be funded or done by government at some level.<sup>92</sup>

...we cannot afford to continually bail the government out of its economic and social responsibility to its citizens. We do not have the resources to do it, and we are just a single organisation.<sup>93</sup>

### ***Centrelink liaison with community sector***

17.83 Centrelink indicated that it had recognised the need to deal more effectively with its customers and to develop greater links with the community sector. Centrelink provided the Committee with examples of new programs within Centrelink offices such as the provision of Personal Advisers to help mature aged people and parents to engage with the workforce or to take up social opportunities. Another program is the Financial Information Service which provides an independent, free and confidential

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90 *Committee Hansard* 2.7.03, p.941 (Anglicare Illawarra).

91 *Committee Hansard* 1.7.03, p.866 (SVDP, Lismore).

92 *Committee Hansard* 30.6.03, p.758 (Salvation Army Western Division Victoria).

93 *Committee Hansard* 2.7.03, p.933 (Anglicare Illawarra).

service to the community that encourages and assists people to maintain or improve their standard of living by planning effectively for retirement and maximising overall retirement income.<sup>94</sup> Centrelink also employs welfare staff in its offices and other specialist staff such as disability-specific staff.

17.84 Centrelink indicated that its staff maintain contact with local organizations through regular meetings and consultations. Newcastle City Council noted that Centrelink had been involved in a number of its community consultations:

They are involved in some of our networks, like our homelessness network, so on a local level they have been quite participatory in what the local community perceives are its issues and looking at how they can work on local community issues. We have also been invited to Centrelink forums regarding venue policies, been briefed on what those policies are and been asked for input. Those processes are very open.<sup>95</sup>

Other agencies also indicated that they met with the local Centrelink staff on a regular basis and that the meetings are very positive.<sup>96</sup> However, this was not always the case and there are areas where meetings between agencies and Centrelink do not occur.<sup>97</sup>

17.85 Centrelink commented that it 'was trying to present itself as being part of the community and facilitate in some instances the getting together of a number of community organisations to look at individual cases, particularly with youth'.<sup>98</sup> At the same time, Centrelink through the Community Connect trial, is working on a more cooperative approach to sharing information about services.

17.86 As part of *Australians Working Together*, Centrelink staff created directories of services in locations. For the last year, Centrelink has been working with the community sector as how this information might be shared with them, 'in terms of giving a wide range of organisations access to a site that has a lot of detail on all those sorts of services in small locations, large locations, state funded community organisations and non-government organisations'. The trials are under way at the moment with some key organizations, including the Smith Family, the Benevolent Society and the Brotherhood of St Laurence, to look at how the site may be used in a

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94 *Submission* 165, Supplementary Information, 20.6.03, p.4 (FaCS).

95 *Committee Hansard* 29.5.03, p.548 (Newcastle City Council).

96 *Committee Hansard* 30.6.03, p.749 (Salvation Army Ballarat); 1.7.03, p.863 (SVDP, Tweed Heads); 2.7.03, p.941 (Anglicare Illawarra).

97 *Committee Hansard* 1.7.03, 862 (Lifeline Northern Rivers).

98 *Committee Hansard* 20.6.03, p.695 (Centrelink).

more cooperative way for sharing other information and for giving agencies access to more information that Centrelink holds.<sup>99</sup>

17.87 Centrelink is also using programs which respond more effectively to local community needs and targets groups in need. The use of support staff in Centrelink offices has proved valuable. St Patrick's Community Support Centre gave evidence on the value of community support staff in Centrelink:

Of our 93 residents and lodgers, the vast bulk of them are on some form of Centrelink payment. We have an excellent relationship with the local Centrelink people. They have a community support person out of the Centrelink office who is working really well. That is great. In terms of Centrelink and how it used to be and the difficulties that were associated with ringing up support staff within the Centrelink office, their having a person who is identified as a community person has certainly made my life a lot easier. I am able to ring in and say, 'What is the situation with this client?' They are able to tell me what is going on and it is able to be put to bed pretty quickly.<sup>100</sup>

17.88 Co-location of staff in Centrelink offices has also improved services. For example, in Sutherland, there are issues around tenancy rates, so a housing officer spends a day a week in the Centrelink office. This provides a coordinated service for clients. Outsourcing is another way of improving services. Customer service officers visit organizations where there are particular issues and particular problems. Officers visit local juvenile justice centres, boarding houses and alcohol and drug services. The Rev Bill Crews indicated the benefits of this program as Centrelink visits his centre: 'one of the good things that Centrelink does is provide someone who comes down and spends a day with us and meets the people where they are. They bring along their laptop, plug it in and do it all there'.<sup>101</sup>

17.89 Centrelink is also targeting groups which have problems in accessing their services. One group is released prisoners who find it intimidating to have to come into Centrelink offices. Centrelink has been working with the correctional departments in all the States and Territories, looking at arrangements for Centrelink staff to be located in the prisons themselves before the prisoners are released so that Centrelink can connect them with their parole officers, with the courts. This will result in a more seamless integration of services and Centrelink officers will understand what referrals are out there for them.<sup>102</sup>

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99 *Committee Hansard* 20.6.03, p.695 (Centrelink).

100 *Committee Hansard* 28.7.03, p.1061 (St Patrick's Community Support Centre).

101 *Committee Hansard* 20.6.03, p.662 (UnitingCare)

102 *Committee Hansard* 20.6.03, p.696 (Centrelink).



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17.90 In relation to illiterate clients, Centrelink is at present looking at better assessment tools to try to improve referrals for this group. However, Centrelink stated that these matters should be discussed at the initial grant interview with a person, but 'it does require the customer themselves to be prepared to talk to Centrelink about those issues, and in many cases they prefer not to say anything'.<sup>103</sup>

### ***Conclusion***

17.91 The Committee heard a great deal of evidence, both negative and positive, concerning Centrelink. The Committee acknowledges that the role of Centrelink is often difficult and that programs have been put in place to build effective working relationships with welfare providers and to provide services more in line with the particular needs and circumstances of clients.

17.92 However, there was also evidence that the level of flexibility and willingness to build relationships varies between Centrelink offices. There was also evidence that there are insufficient specialist staff in some areas to meet increasing demand.

### **Recommendation 92**

**17.93 That Centrelink Community Service Centres be resourced to establish local management advisory committees with membership drawn from its customer base, emergency relief providers, local schools, the police, employers and community representatives to sensitise service delivery to local needs.**

### **Recommendation 93**

**17.94 That Centrelink CSCs be resourced to act as community service hubs for Commonwealth government-funded programs to ensure there is a greater connection between income support and other human service delivery.**

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103 *Committee Hansard* 20.6.03, pp.691-92 (Centrelink).



## CHAPTER 18

### FUTURE DIRECTIONS

*...tackling poverty is a long journey that we must take together, and we need to do it nationally as well as in our own communities. We recognise that there are no quick fixes.<sup>1</sup>*

18.1 Evidence to the Committee highlighted the inadequacies of the current approaches to poverty alleviation, especially the lack of a clear national focus.<sup>2</sup> This chapter looks at the need for a comprehensive, national whole of government approach to poverty alleviation in Australia. It also reviews the need for structural changes to reduce poverty in this country, as well as an integrated policy framework to promote social and economic sustainability.

#### **The need for a national strategy**

18.2 Submissions and other evidence emphasised during the inquiry that currently Australia has no clear national objective to reduce poverty, nor strategies to combat poverty and social exclusion. Such a framework would provide a concrete set of broadly supported goals and policy priorities in relation to poverty reduction. ACOSS stated that:

Governments have an important role to play in drawing attention to poverty and disadvantage, taking action to reduce it and monitoring progress to address it. Progress is much more likely to be made when governments make commitments that are tied to benchmarks. If Australia is serious about tackling poverty and making sustainable improvements in living standards and opportunities for all, a comprehensive national strategy is needed.<sup>3</sup>

18.3 The development of a national approach to poverty alleviation and a national commitment to reduce poverty was widely supported during the inquiry by advocacy groups and the welfare sector.<sup>4</sup>

18.4 State Governments also indicated their support for a national approach. The South Australian Government proposed:

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1 *Committee Hansard* 30.4.03, p.36 (Catholic Social Services Victoria).

2 *Submissions* 44, p.61 (SVDP National Council); 169, pp.3-4, 29 (Mission Australia); 30, p.7 (Jesuit Social Services).

3 *Submission* 163, p.30 (ACOSS).

4 *Submissions* 44, pp.69-72 (SVDP National Council); 148, pp.3-5 (Catholic Welfare Australia); 169, p.4 (Mission Australia).

...the development of a national agenda on poverty that will inform key Commonwealth reform initiatives, facilitate collaboration between the States and Commonwealth and inform policy development in key portfolios such as housing, health, and family and community services.<sup>5</sup>

Likewise, the Victorian Government stated that:

...it is now time to reaffirm our national commitment to equity and our determination to match our continued high levels of growth with higher levels of equity...we need to undertake a serious analysis of the drivers of poverty, the composition of poverty in Australia in 2003, and the strategic approaches that could be adopted to develop a coordinated national response.<sup>6</sup>

### ***Whole of government approach***

18.5 Evidence strongly supported a whole of government approach to poverty alleviation involving all levels of government – Commonwealth, State and local. For example, UnitingCare Australia argued the need for 'developing a whole of government – and, by that, I mean across portfolios and different levels of government – framework for engaging with poverty that has indicators and benchmarks attached to it as a way forward'.<sup>7</sup>

18.6 Similarly, Catholic Welfare Australia argued that an anti-poverty strategy would seek to coordinate all elements of government policy initiatives and coordinate different spending and taxation elements so that it would be one coordinated and mutually consistent reinforcing strategy.<sup>8</sup>

18.7 Such an approach would provide for the development of a set of integrated policies covering a range of areas including employment; education and training; housing; health; early childhood education; aged care services; and services for people with disabilities.<sup>9</sup>

18.8 In Ireland, a system of 'poverty proofing' of government policy was introduced, which is a process by which Government departments and agencies and local authorities assess policies and programs at design and review stages in relation to the likely impact that they will have, or have had, on poverty. The Combat Poverty

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5 *Submission* 187, p.33 (SA Government).

6 *Submission* 69, p.32 (Victorian Government). See also *Submission* 129, p.7 (Queensland Government).

7 *Committee Hansard* 20.6.03, p.669 (UnitingCare Australia).

8 *Committee Hansard* 20.6.03, p.707 (Catholic Welfare Australia). See also *Submission* 98, p.vii (BSL).

9 *Submissions* 44, p.69 (SVDP National Council); 133, p.2 (UnitingCare Australia).

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Agency noted that 'the idea [is] that anything being done in a government department would have some impact assessment, in relation to its impact on poverty'.<sup>10</sup>

18.9 Submissions and other evidence pointed to the often bewildering array of Commonwealth, State and local government programs with a poverty-related focus which are often conceived of with only a limited local focus and very limited coordination between different levels of government. The SVDP National Council, commenting on Commonwealth-State funding arrangements, stated that:

At the moment it is absolutely crazy. You have a Commonwealth-state housing agreement here, which is totally separate from education grants over here, and they do not consider it when they are considering hospital funding over here. They are all disjointed but they are all part of the same problem.<sup>11</sup>

18.10 From a State Government perspective, the South Australian Government noted that the Commonwealth Government's Strengthening Families and Communities strategy, while containing many useful elements, is not linked to any state government initiatives in the same policy area.<sup>12</sup>

18.11 Submissions, nevertheless, pointed to areas where there are currently attempts at a national approach to specific areas of social need illustrating that it would be possible to develop a similar approach in relation to poverty alleviation. The South Australian Government pointed to the National Agenda for Early Childhood which involves a collaborative approach between the Commonwealth and the States. It was argued that this approach would seem to be capable of engaging the broad range of stakeholders and governments in the Australian context.<sup>13</sup> FaCS also commented on the Commonwealth's innovative approach in the area of early childhood development, noting that:

Departments are working around those issues [of early childhood] in ways that they have not worked together before, to find shared objectives in investing more effectively in early childhood development...that is an indication of a recognition that the issues need to be looked at in a way – and in a whole of government way – that has not been done before...The process of discussion that the government has initiated, with very wide buy-in not only across Commonwealth departments but also across state governments, will be important in...helping us move forward.<sup>14</sup>

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10 *Committee Hansard* 28.7.03, p.979 (Combat Poverty Agency).

11 *Committee Hansard* 19.6.03, p.615 (SVDP National Council).

12 *Submission* 187, p.33 (SA Government).

13 *Submission* 187, p.35 (SA Government).

14 *Committee Hansard* 20.6.03, p.694 (FaCS).

18.12 A number of States/Territories are adopting a more integrated, whole of government approach to poverty alleviation. Details of the Australian Capital Territory Government's approach is illustrated below.<sup>15</sup> While these are valuable State-based initiatives an overarching national approach is needed.

### **ACT: Integrated Approach to Addressing Poverty**

The ACT Government has adopted a comprehensive, whole of government approach to delivering policies to people in poverty in the ACT. As a first step, it has sought to establish a baseline for disadvantage in the ACT supported by evidence rather than anecdote.

The project – Addressing Disadvantage – consisted of four parts:

- mapping ACT Government services for people experiencing disadvantage and those in poverty;
- locating and analysing poverty in the ACT;
- researching the need for and provision of human services in the ACT; and
- consulting about disadvantage with non government organisations.

The mapping has provided the Government with a clear picture of the services it funds for people experiencing disadvantage and those in poverty.

Research done for the project by the National Centre for Social and Economic Modelling showed that financially disadvantaged people live in all suburbs in the ACT. This has significant implications for service delivery, and shows that targeting resources to a few suburbs would not assist the majority of the ACT's financially disadvantaged.

Work commissioned from the Australian Institute of Health and Welfare showed that Canberra's human services are more likely to be provided through the home and community. This also has implications for service planning and provision. For the first time, a Government of the ACT has a clear picture, based on nationally consistent data, of human services and the people who access the support they provide.

ACTCOSS consulted with non-government organisations and found that people in the ACT experience multiple types of disadvantage, have complex needs and require holistic person-centred services. This points to the need for multidisciplinary services based on the needs of the individual.

The project identified a range of areas where service provision could be strengthened, including education, youth and family services, health, disability and housing.

ACT Government, *Addressing Disadvantage in the ACT*, Canberra 2003; ACT Chief Minister, Key Report to Guide Social Plan, *Media Release*, 9 June 2003.

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15 See also *Submission* 199, pp.2-13 (ACT Government); *Committee Hansard* 19.6.03, pp.634-44 (ACT Government).

## **A national approach to poverty alleviation**

18.13 As noted above, submissions and other evidence argued that a national approach to poverty needed to be developed in Australia. Evidence indicated that the elements of a comprehensive strategy for poverty alleviation required:

- the development of an agreed national benchmark measure of poverty;
- the development of a national anti-poverty strategy in consultation with key government, welfare, community and business stakeholders; and
- implementation structures to support the anti-poverty strategies adopted.

These issues are discussed below.

### ***Agreed national poverty benchmark measure***

18.14 As discussed in previous chapters, there is little agreement about how to measure relative poverty in Australia. During the inquiry it became clear that the absence of agreement about a core measure of poverty in Australia has frustrated an informed debate and contributed to a sustained policy paralysis in addressing and reducing poverty in this country.

18.15 While there is no official poverty line in Australia, the Henderson poverty line has been widely used for decades in Australian poverty studies, although as noted in chapter 2, it has been criticised by some commentators for, in particular, overstating the level of poverty due to the method used to regularly update the poverty line.

18.16 Many witnesses argued that while there is little prospect of agreement on the adoption of a poverty line in Australia a combination of measures or the construction of a new measure may be more appropriate.<sup>16</sup> Professor Saunders argued that:

...the more ways we can come at the problem the better, because the danger with putting all your eggs in one poverty line basket, as it were, is that if the poverty line itself is subject to criticism you lose the lot. One important reason for trying to get a number of different handles on the issue allows us to say: "These things are robust at least in relation to this group. We've tried five different ways of measuring this group, and on all five measures this group is poor". That is much more convincing than saying, "We have one measure, and they are poor on that measure".<sup>17</sup>

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16 See *Committee Hansard* 27.5.03, p.439 (Professor Saunders); *Committee Hansard* 27.5.03, pp.441-42 (CIS).

17 *Committee Hansard* 27.5.03, p.433 (Professor Saunders). See also *Submission* 69, p.7 (Victorian Government).

18.17 A number of different approaches are possible. For example, some submissions argued that deprivation indicators could be developed as alternatives to, or complementary measures to, income poverty measures.<sup>18</sup> Other submissions argued that expenditure data could be used to supplement income data to measure living standards, given that reported incomes may not be a reliable indicator of a person's standard of living.<sup>19</sup> These approaches are discussed in more detail in chapter 2.

18.18 Evidence pointed to overseas examples as providing possible models. The United States adopted an official poverty line in 1968. The poverty line was determined by a minimum food budget for a family of four (which represented a third of family expenditure). The food budget was multiplied by three to obtain the overall minimum budget, and those with incomes below this were counted as poor. Since then the US poverty line has been updated in line with prices. It is therefore an absolute measure, with a fixed real value, that has not taken account of changing consumption needs. By the mid-1990s the poverty line had fallen to an equivalent of less than one third of median household income. A recent review of the official poverty measure by the US National Research Council suggested that it should be revised to reflect not only price changes, but also changes in the consumption of basic necessities.

18.19 In contrast to adopting a single absolute poverty measure, Member States of the European Union (EU) have agreed to a multi-dimensional range of indicators. In relation to low income, Eurostat, the European statistical agency, has adopted a relative measure – based on 60 per cent of median income – as an indicator to compare Member States of the EU. Other indicators of low income, such as persistent low income have also been agreed by the EU. Agencies of the EU also have a set of commonly agreed indicators of poverty and social inclusion encompassing different measures of low income, employment, educational attainment and health outcomes.<sup>20</sup> The Irish Government has adopted a different approach to measuring poverty. The Government applies a 'consistent poverty' measure which identifies those families who have both very low *incomes* and who report *expenditure* difficulties in being able to afford essentials.<sup>21</sup>

### ***National anti-poverty strategy***

18.20 A variety of options were suggested during the inquiry as to how a national anti-poverty strategy could be developed. ACOSS suggested that such a strategy should be established at the national level, in collaboration with State governments, through the Council of Australian Governments (COAG). ACOSS argued that such a

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18 *Submissions* 163, pp.62-63 (ACOSS); 95, pp.17-19 (Professor Saunders).

19 *Submission* 172, p.18-36 (Smith Family).

20 UK Department for Work and Pensions, *Measuring Child Poverty*, April 2002, pp.16-17.

21 See *Submission* 69, p.7 (Victorian Government).



strategy should be developed over a 12 month period of consultation, including the convening of a national anti-poverty summit.<sup>22</sup>

18.21 A number of State Governments also suggested the COAG process could be a possible option.<sup>23</sup> The South Australian Government suggested that the possible processes under the COAG model would be an initial reference to COAG to set its agenda, the establishment of a Ministerial Council on Poverty and the establishment of a high profile board to engage community and business stakeholders. The South Australian Government argued, however, that the weakness of this approach is that it is driven and owned by Governments and bureaucracies with little scope for other stakeholders to participate.<sup>24</sup>

### ***Ireland's National Anti-Poverty Strategy***

18.22 Ireland's National Anti-Poverty Strategy (NAPS) also provides a potential model. Following the United Nations World Summit for Social Development in 1995, the NAPS was established in 1997 as a governmental commitment to a ten year plan for the reduction of poverty in Ireland. The Government set up an interdepartmental policy committee – comprising representatives of several Departments including those dealing with welfare, community and family affairs, education and health and also undertook analysis and consultation in terms of coming up with the strategy.<sup>25</sup> NAPS focused on a number of key themes including income adequacy, unemployment, educational disadvantage, rural poverty and disadvantaged urban areas. Each of these themes was set a target for the reduction of poverty within their respective areas, and a global target was also set as an overall aim. Details of the strategy are provided below.

#### **Ireland's National Anti-Poverty Strategy**

The National Anti-Poverty Strategy comprises:

- An explicit definition of poverty: consistent poverty – where a person has less than 70 per cent of median income and does not have access to basis items (as detailed below); and income poverty – where a person has an income less than 60 per cent of the median income. Consistent poverty has declined from 14.5 per cent in 1994 to 5.2 per cent in 2001, whereas income poverty has increased from 15 per cent in 1994 to 22 per cent in 2001.

22 *Submission* 163, p.30 (ACOSS). See also *Submissions* 69, p.32 (Victorian Government); 187, p.38 (SA Government).

23 *Submissions* 69, p.32 (Victorian Government); 187, p.38 (SA Government).

24 *Submission* 187, p.38 (SA Government).

25 *Committee Hansard* 28.7.03, p.978 (Combat Poverty Agency).

- A global poverty reduction target and sub-targets in the areas of educational disadvantage, unemployment, adequacy of social transfers, disadvantaged urban areas and rural poverty.

The global target relates both to the numbers below relative income poverty lines and the experience of basic deprivation (access to necessities measured by a set of non-monetary deprivation indicators) including:

- going without a substantial meal all day
- not being able to afford adequate heating
- having to buy second hand clothes
- not being able to afford an overcoat.

In addition to the standard indicators other indicators employed relate to:

- Financial: measure of consistent poverty; decile ratio shares
- Education: numbers without basic qualifications; early school leaving; training qualifications
- Employment: youth unemployment, proportion of employees below poverty line, children in jobless households without basic qualifications, access to training, tenure of employment
- Health: concentration of premature deaths, cancer deaths, health access for different groups, low birth weight, variations in life expectancy across groups, infant mortality levels across groups, variations in cardiovascular disease, mental health levels
- Housing: homelessness, availability of affordable housing, housing standards
- Social Participation: literacy and numeracy levels, access to services, public transport, participation in community groups, integration of public services; crime levels.

*Committee Hansard 28.7.03, pp.975-992 (Combat Poverty Agency); Submission 163, p.29 (ACOSS).*

### ***Consultative mechanisms to develop strategy***

18.23 Evidence indicated the importance of an effective consultative mechanism with key stakeholders in the development of any anti-poverty strategy. Mission Australia called for the development of a nationally co-ordinated Poverty Reduction and Elimination Partnership comprising government, non-government, business and community representatives to develop and evaluate multidisciplinary strategies to reduce poverty.<sup>26</sup>

18.24 Some groups suggested that a national summit should be convened as part of the consultative phase. Submissions argued that a summit could help raise the status of the issue of poverty in the public arena and emphasise the responsibility of the

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26 *Submission 169, p.4 (Mission Australia).*

community collectively to participate in finding solutions to the problem of poverty.<sup>27</sup> The SVDP National Council indicated that there was widespread community support for a summit:

We believe that there is a fairly big consensus out there that something has to be done about it [poverty]. Certainly it exists amongst a number of welfare organisations and with most of the trade union movement...It exists with certain members of the business community. We have been taking to them too.<sup>28</sup>

18.25 The Committee questioned witnesses as to whether a summit would degenerate more into a 'talkfest' where deeply held disagreements around the issue of poverty would dominate to the detriment of the development of a plan of action. The SVDP National Council suggested that it would be useful to convene a pre-summit meeting so that this did not occur. This meeting would formulate a set agenda for the main summit and act as a way to build consensus among the various stakeholders – 'it is no use calling people into a summit and then having a free-for-all...It has to be planned and carefully structured. It also has to bring in all sides of politics'.<sup>29</sup>

18.26 Other groups expressed their support for a summit. Catholic Welfare Australia argued that a summit would be able to bring together stakeholders to discuss a national strategy – 'but this is not seen as leading to a gabfest, but rather simply to try to build consensus for the adoption of such a strategy'.<sup>30</sup> The Australian National Organisation of the Unemployed commented on the effectiveness of similar arrangements overseas:

I know that these things can be very effective, because I have seen some that are very effective. The National Economic and Social Forum in Ireland is a fine example of how things can be brought together and things changed....You look at Ireland, for example – when you actually pick up the people who have a real deep vested interest in this they are not interested in the talk, they are interested in the action. And when that influence is strong enough, for a start that will drive the thing to become action oriented rather than talk oriented.<sup>31</sup>

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27 See *Submission* 148, p.12 (Catholic Welfare Australia).

28 *Committee Hansard* 19.6.03, p.615 (SVDP National Council).

29 *Committee Hansard* 19.6.03, p.615 (SVDP National Council).

30 *Committee Hansard* 20.6.03, p.707 (Catholic Welfare Australia).

31 *Committee Hansard* 4.8.03, p.1163 (ANOU).

18.27 Some doubts were expressed as to whether a summit would be effective in addressing the issues around poverty.<sup>32</sup> FaCS commented that if a summit were to be held 'it would be very important to agree on what we meant by some of the concepts, because...there can be a lot of disagreement about what is appropriate to be focusing on'.<sup>33</sup>

18.28 Submissions and other evidence also argued that governments needed to commit to a reduction in poverty over a fixed time frame. ACOSS argued that at a minimum, governments should commit to an overall reduction in the level of poverty by a quarter, and the level of child poverty to be halved, over a 10 year period. This would require the adoption of:

- a widely understood and accepted definition of poverty;
- a method to measure progress in the achievement of this commitment; and
- the adoption of benchmarks and targets, including national, local and group specific targets for the achievement of substantial improvements in a range of social indicators including levels of unemployment, income adequacy, educational attainment, health outcomes, housing affordability, Indigenous wellbeing and access to essential community services.<sup>34</sup>

### ***National poverty reduction targets***

18.29 Other welfare groups also emphasised the importance of national poverty reduction targets. The SVDP National Council argued for the adoption of a timeframe for a poverty alleviation strategy of 5 years and progressive benchmarks to be achieved over that period.<sup>35</sup> Catholic Welfare Australia suggested a national commitment to reduce adult poverty by at least 50 per cent, and child poverty by at least 75 per cent, within a generation.<sup>36</sup> Catholic Welfare Australia noted that a targeting strategy places an important discipline on government and 'makes it measurable and accountable about its achievements in poverty reduction strategies against the national strategy'. They added that:

Targets can be under the short-term model of reducing child poverty by a certain amount within a certain period of time – two or three years – and the shorter targets have proved quite successful in Ireland. Or perhaps longer

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32 *Committee Hansard*. 27.5.03, p.449 (CIS); *Committee Hansard* 19.6.03, pp.648-49 (Australia Institute).

33 *Committee Hansard* 20.6.03, pp.693-94 (FaCS).

34 *Submission* 163, p.30 (ACOSS).

35 *Submission* 44, p.69 (SVDP).

36 *Submission* 148, p.14 (Catholic Welfare Australia).

term targets, as apply particularly in the case of the UK, which has claimed to eliminate child poverty within a generation.<sup>37</sup>

18.30 A number of State Governments are developing benchmarks and indicators to monitor progress in achieving their anti-poverty objectives. The Tasmanian Government, as part of its Tasmania *Together* plan, which is an integrated social, environmental and economic plan for Tasmania, has developed a cluster of six benchmarks to focus on the immediate and long term impacts of poverty in that State (see Table 18.1).

**Table 18.1: Tasmania: Benchmarks for Poverty Alleviation**

Benchmark	Targets	Baseline	Latest Data	Comment
The cost of food, electricity, housing, transport and health as a percentage of income for low-income earners.	2005 65% 2010 62.5% 2015 60% 2020 55%	2001 Couples 72% Families 63%	2002 Couples 71% Families 62%	This is a measure of discretionary expenditure available to families, taking into account both cost pressures on a basket of essential goods and services.
Proportion of households with income below the OECD poverty line.	2005 8% 2010 6% 2015 4% 2020 0%	1999-2000 10%	-	Uses the OECD half median poverty line (\$415/wk in 1999-2000).
Long-term unemployed people as a % of all unemployed Tasmanians.	2005 Australian Average 2010 on Best performing State	April 2001 Tas 39.7% Aust 22.4%	April 2002 Tas 40.1% Aust 23.7%	Long-term unemployment defined by ABS as those out of work for more than 52 weeks. Recent figures indicate a decline in Tasmania's long term unemployment.
Proportion of adults who report being unable to raise \$2,000 in a week for an emergency	2005 30% 2010 20% 2015 10% 2020 0%	1998 40.8%	Baseline data from Healthy Communities Survey	A measure of financial security/resilience and of control.
Proportion of Tasmanians who report that they cannot buy enough food for the household.	2005 0% 2010 0% 2015 0% 2020 0%	1998 10%	Baseline data from Healthy Communities Survey	
Index of relative socio-economic disadvantage (rural)	2005 Maintain or improve 2010 " 2015 " 2020 "	1996 Index of Relative Social Disadvantage (IRSED) 974 Rural Index of Socio-Economic Advantage (RIRSEA) 1019	New data from 2001 Census available in Sept 2003	Baseline data now using two ABS indices. On IRSED, the 974 value for the whole of Tasmania ranks below the Australian average of 1000. Under the alternative RIRSEA index Tasmania's rural areas score above the national average and are ranked second after ACT.

Source: *Submission 185*, p.27 (Tasmanian Government).

37 *Committee Hansard* 20.6.03, p.707 (Catholic Welfare Australia).

18.31 In the European Union, social indicators are seen as important tools in measuring anti-poverty objectives and are the basic building blocks of anti-poverty action plans. The EC indicator framework seeks to provide information on issues such as levels of poverty, labour market disadvantage, poor health, poor housing, deprivation, educational levels, literacy and numeracy and capacity to participate in society. In the United Kingdom, the Government is developing benchmarks to monitor progress in the achievement of its anti-poverty objectives and has established government bodies and consultative mechanisms with the aim of developing appropriate policy responses.<sup>38</sup>

18.32 Ireland's NAPS contains 36 targets in areas such as income, employment, education, health and housing. The strategy is now also concentrating on particular groups at risk of poverty, such as women; children and young people; older people; ethnic minorities; and people with disabilities and sets targets to measure progress in achieving anti-poverty objectives in relation to these groups.<sup>39</sup>

### ***Establishment of an anti-poverty body***

18.33 Evidence to the inquiry indicated the need for structures to be established to support any anti-poverty strategies adopted. Many overseas countries have specific structures, research programs and consultative mechanisms concerned with poverty and social exclusion.

18.34 In Ireland a number of bodies support that country's anti-poverty strategy. A statutory body, the Combat Poverty Agency was established in 1986. The Agency provides policy advice to the Government on issues pertaining to poverty; undertakes research to inform that policy advice; undertakes pilot projects in the field; and provides public education and information. A national Office for Social Inclusion has been established in the Department of Social and Family Affairs. Social inclusion units have also been established in government departments responsible for delivering the strategy, and in some local authorities. A Social Inclusion Consultative Group has been established which meets twice a year. It comprises senior public servants across government departments, business, trade unions, community and voluntary sector organisations and anti-poverty experts. A Social Inclusion Forum also meets once a year that includes a wide range of groups, such as NGOs and local authorities. The aim is to give feedback on the implementation of the strategy. A Cabinet Subcommittee on Social Inclusion, chaired by the Prime Minister, has also been established.<sup>40</sup>

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38 *Submission* 163, pp.26-30 (ACOSS).

39 *Committee Hansard* 28.7.03, p.980 (Combat Poverty Agency).

40 *Committee Hansard* 28.7.03, pp.975, 980 (Combat Poverty Agency).

18.35 The United Kingdom has a Social Exclusion Unit within the Cabinet Office, supported by research and analysis conducted through the Centre for Economic and Social Inclusion.<sup>41</sup>

18.36 Various initiatives have been undertaken at the State/Territory level in Australia. The South Australian Government has established an independent board that advises the Government on its Social Inclusion Initiative and reports to the Department of the Premier and Cabinet. The SA Government noted that this approach provides for the involvement of other stakeholders while still being closely connected to Government.<sup>42</sup>

### **South Australia: Social Inclusion Initiative**

In March 2002, the Premier established the Government's Social Inclusion Initiative and appointed the Social Inclusion Board with the objective of tackling some of the most pressing social issues facing the state and by linking social and economic policy. The Board will advise Government on new ways to achieve better outcomes for the most disadvantaged people in the community.

Initially the Premier has asked the Board to consider three specific references:

- Reduce the incidence of homelessness and reduce the number of people sleeping rough by 50% during the life of the Government;
- Support young people to stay at school and successfully complete twelve years of education reflected by a measurable increase in school retention rates; and
- Respond to the recommendations made at the June 2002 Drugs Summit.

The Board advises on collaborative action by Government and collaborative initiatives between State Government and others sectors, and reports to the Premier on the impact of these actions.

The Board comprises community leaders bringing together experience and expertise as well as established linkages across non-government organisations, the business sector and the broader community. These enable the Board to build partnerships, to work with all spheres of government and maximise the cross sectoral use of resources.

The Social Inclusion Unit supports the work of the Board in achieving these objectives and is located within the Department of the Premier and Cabinet.

*Submission* 187, Attachment 2 (SA Government).

18.37 Several submissions argued that an anti-poverty commission or similar body should be established in Australia to oversee the development and monitoring of a national anti-poverty strategy. ACOSS argued that an advisory council should support

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41 *Submission* 163, p.31 (ACOSS); see [www.cesi.org.uk](http://www.cesi.org.uk).

42 *Submission* 187, p.34 & Appendix 2 (SA Government).

the work of an anti-poverty commission with membership drawn from Commonwealth, State and local governments, business and trade unions, community service agencies and key experts. The commission would report regularly to Parliament on progress against the strategy. ACOSS suggested that policy units within the Commonwealth Government and line departments, both Commonwealth and State, should also be established to coordinate government activity to address poverty, and assess the impact of programs and policies on poverty reduction.<sup>43</sup>

18.38 Similar structures were also advocated by other groups. Catholic Welfare Australia proposed the establishment of a statutory authority – the Commission for Poverty Reduction. The proposed commission would:

- develop a range of indicators to measure poverty and deprivation;
- report to the Parliament on performance against poverty reduction targets;
- undertake inquiries into specific issues relevant to poverty reduction; and
- undertake research into the causes and effects of poverty in Australia.<sup>44</sup>

18.39 Catholic Welfare Australia proposed that full and part-time representatives would be appointed to the commission with representation from policy experts in academia, social policy research bodies, social welfare agencies, and the business community. It was envisaged that the commission would have similar powers to the Productivity Commission in conducting inquiries.<sup>45</sup> Catholic Welfare Australia suggested that the body needed to be independent and pointed to the success of the Productivity Commission in this regard – 'its statutory independence, its capacity to conduct inquiries and to measure effects of assistance have proved a very powerful influence in building success for change in this country. We would see that their emphasis could perhaps be balanced by a similar commission whose prime focus was in considerations of poverty reduction'.<sup>46</sup>

18.40 The Victorian Government suggested that an expansion of the responsibilities of the Productivity Commission – which could be renamed the Productivity and Equity Commission – would provide a possible means to implement an anti-poverty strategy. The Victorian Government noted that the Productivity Commission has initiated important improvements in the area of micro-economic reform – 'we believe there is potential to drive changes in equity and social justice in Australia through

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43 *Submission* 163, p.31 (ACOSS); *Committee Hansard* 20.6.03, p.676 (ACOSS).

44 *Submission* 148, p.3 (Catholic Welfare Australia).

45 *Submission* 148, pp.14-15 (Catholic Welfare Australia).

46 *Committee Hansard* 20.6.03, p.707 (Catholic Welfare Australia).



comparable processes'.<sup>47</sup> Catholic Welfare Australia, however, while noting that the Productivity Commission has been a good example of consensus building for social change in the case of micro-economic reform argued that the Commission would not be a 'suitable advocate' for the most disadvantaged because of its primary emphasis on economic efficiency rather than equity considerations.<sup>48</sup>

18.41 Other options suggested included the establishment of an independent board. The South Australian Government noted that an independent board that reports to the Premier and Cabinet was established as part of that State's social inclusion initiative. The Government noted that this arrangement provides greater scope for the engagement of other stakeholders while still being closely connected to Government compared with COAG arrangements.<sup>49</sup>

### **Conclusion**

18.42 The Committee believes that there is an urgent need for a comprehensive national approach to the alleviation of poverty in Australia. The lack of clear national objectives to reduce poverty and social exclusion limits the ability of governments to develop and implement appropriate policies in this area.

18.43 A national anti-poverty strategy needs to involve key policy areas including employment, health, education, income support, housing and other relevant areas. Targets related to poverty alleviation need to be set in these areas as part of a whole of government strategy to fight poverty. The development and use of comprehensive anti-poverty targets has assisted the Irish and United Kingdom Governments to measure their progress in addressing inequality and disadvantage.

18.44 The strategy needs to be developed in close consultation with key stakeholders including State governments, the welfare sector, unions, the business community and key experts in the field of poverty. To this end, the Committee believes that the broad parameters of an anti-poverty strategy should be developed over a 12-month period and include an anti-poverty summit. The Committee envisages that the consultative phase would enable consensus building and would establish key goals and broad priorities for an anti-poverty strategy.

18.45 The Committee further considers that a statutory authority or unit reporting directly to the Prime Minister should be established to develop in greater detail the anti-poverty framework agreed to during the consultative phase, and to provide a mechanism to implement and monitor the anti-poverty strategy adopted.

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47 *Submission* 69, p.32 (Victorian Government). The Victorian Government also suggested that another option would be using the existing COAG framework.

48 *Submission* 148, p.14 (Catholic Welfare Australia).

49 *Submission* 187, p.38 (SA Government).

**Recommendation 94**

**18.46 That a comprehensive anti-poverty strategy be developed at the national level and that this involve:**

- **an initial summit of Commonwealth, State and local governments, the welfare sector, unions, the business sector, community groups, income support customers and relevant experts in the field to be held to highlight the importance of the issue and agree on a timetable for action;**
- **a commitment to achieve a whole of government approach. That is, coordinated action across policy areas such as employment, health, education, income support, community services, housing and other relevant areas to reduce poverty and poverty of opportunity;**
- **not longer than a 12-month period of consultation.**

**Recommendation 95**

**18.47 That a statutory authority or unit reporting directly to the Prime Minister be established with responsibility for developing, implementing and monitoring a national anti-poverty strategy and that this entity:**

- **establish benchmarks and targets to measure progress against a series of anti-poverty objectives;**
- **report regularly to the Parliament on progress against the strategy; and**
- **undertake or commission research into a range of poverty-reduction measures.**

**Structural changes aimed at reducing poverty**

18.48 Evidence to the inquiry indicated that the development and implementation of a comprehensive anti-poverty strategy will require structural changes to address the underlying causes of poverty in Australia. This will require a re-ordering of the social and economic priorities in this country.<sup>50</sup> Catholic Welfare Australia stated that 'we need to create a social and economic environment that proofs the nation against poverty, reducing the risk of economic disadvantage becoming socially entrenched'.<sup>51</sup>

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50 *Committee Hansard* 20.6.03, p.655 (UnitingJustice Australia); 30.4.03, pp.36-37 (Catholic Social Services Victoria). See also *Submissions* 30, pp.1-8 (Jesuit Social Services); 44, pp.69-74 (SVDP National Council); SVDP, *Two Australias: Addressing Inequality and Poverty*, May 2001.

51 *Submission* 148, p.2 (Catholic Welfare Australia).

18.49 The SVDP National Council stated that over the last two decades there has been a move away from a national commitment to egalitarianism:

We have moved from our egalitarian nation based on European social values of accepting that society is designed for the common good and that government has a responsibility of ensuring that everyone contributes to, and benefits from, that common good to a nation that is increasingly focused on the pursuit of the individual and the belief in the free market to solve all our problems. The free market was never designed as a social tool. If we are to accept this move [away from egalitarianism]...Australians should be asked: do you want a nation with a health system which is affordable only to the wealthy?...Are you prepared to put up with the level of homelessness and destitution which up until now has been unacceptable in this country? Are you prepared to put up with the quality of an education system dependent upon how wealthy you are?<sup>52</sup>

18.50 Catholic Welfare Australia argued that as a nation we can choose the level of poverty that exists.

We can choose to make poverty reduction a key priority for policy reform. But we have not chosen to do this. The national commitment to the fight against poverty in Australia is tepid. This is partly because current social values insufficiently reflect a sense of solidarity for those in need. But it is also a failure of policy. Only governments have the fiscal and legislative means to approach a social problem so complex, so deeply connected to the institutional structures of our society.<sup>53</sup>

18.51 Significant structural changes are required to address the economic and social determinants of poverty in Australia. Submissions emphasised that the policy framework to address unemployment, for instance, needs to focus both on achieving the maximum sustainable rate of economic growth, and ensuring that economic growth benefits all sections of the community, including the most vulnerable.<sup>54</sup>

18.52 Inadequate levels of education and skills also contribute to poverty. The people most at risk of joblessness – especially long-term joblessness – throughout their working lives are those with limited education, vocational skills and a limited history of secure employment. Submissions emphasised that people who have not had access to appropriate education and training opportunities are finding it increasingly difficult to actively shape their own social and economic futures. ACOSS noted that:

Improving education and training for people most at risk of joblessness, and those already unemployed long-term, is a critical element of any anti-

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52 *Committee Hansard* 19.6.03, p.599 (SVDP National Council).

53 *Submission* 148, p.2 (Catholic Welfare Australia).

54 *Submissions* 98, pp.vi, 9-13 (BSL); 129, pp.8-9 (Queensland Government).

poverty strategy. This approach will not be effective, however, in the absence of strong growth in employment. Moreover, education, employment and training policies require a much more substantial investment, and a revamp of their design, to overcome deeply entrenched labour market disadvantage.<sup>55</sup>

18.53 Changes in family formation especially being single and supporting dependent children contribute to the risk of poverty particularly when combined with other factors such as joblessness. Submissions emphasised that innovative initiatives across a range of policy areas are required to address this issue.<sup>56</sup>

18.54 Evidence to the Committee indicated that, while requiring some fundamental policy changes, affluent countries like Australia have the economic capacity to abolish poverty. The SVDP National Council argued that the total amount of additional funding required to abolish poverty in Australia is about 2 per cent of GDP or \$12 billion per annum. This could be implemented over a number of years to lessen its overall impact. The Society estimated that the proposal would ultimately involve the wealthiest 20 per cent of Australians (which control over 60 per cent of the wealth) surrendering, over time, 2-3 per cent of that wealth to the community as a whole.<sup>57</sup>

18.55 The SVDP Society argued that these changes could be funded by a combination of new revenue sources and re-ordering priorities within existing Government programs. New revenue sources suggested by the Society would include the removal of tax concessions on trusts; limitations on the tax concessions granted to wealthy individuals and companies; and higher marginal tax rates on very high income earners and companies. The Society suggesting that re-ordering of Government funding priorities could include means testing the private health insurance rebate; means testing other payments, including the baby bonus; re-ordering of education grant priorities to ensure that the poorest schools receive the bulk of the funding; and reviewing other government subsidy programs with the aim of reducing funding in certain areas and extending funding to other areas, especially where the need is greatest.<sup>58</sup>

18.56 Professor Saunders also argued that the financial cost of abolishing poverty represents only a small fraction of Australia's national income or GDP (estimated at less than 2.4 per cent of GDP) – 'we can thus pay to remove all Australians from

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55 *Submission* 163, p.101 (ACOSS).

56 *Submission* 163, p.102 (ACOSS).

57 *Submission* 44, p.73 (SVDP National Council).

58 *Submission* 44, pp.73-74 (SVDP National Council). See also SVDP, 'Greed, poverty and compassion: where to Australia?', Paper presented to ALP Round-table on Poverty, October 2002, pp.7-8.

poverty if we want to: the fact that we don't do so is a matter of choice, not affordability'.<sup>59</sup>

18.57 Submissions noted that comprehensive policies to reduce poverty need to consider not only their fiscal costs, but also their potential longer term benefits to the nation. Catholic Welfare Australia noted that a systematic approach to reducing unemployment and moving people from welfare to work will increase participation in the labour market. This will lead to higher GDP per capita. This strategy, as well as improving the lives of those currently unemployed, will also improve the wellbeing of all Australians by improving social cohesiveness. Thus an effective national anti-poverty strategy has both direct and indirect benefits for the nation as a whole.<sup>60</sup>

### **Social and economic sustainability**

18.58 In addition to the need for structural changes, evidence to the inquiry indicated the need for a new integrated policy framework where a range of objectives, including issues of equity and disadvantage are incorporated into government policy rather than, as has largely occurred in the past, a concentration on strictly economic objectives. It has been argued that governments should commit to conjoint economic, social, cultural and environmental policies where economic, social, cultural and environmental objectives are *all* given equal attention.<sup>61</sup>

18.59 Evidence called for the development of a fairer and more sustainable society where there is a more equal distribution of the benefits of economic growth. One study noted that a continuing problem in Australia has been the preoccupation of public policy with the economy, with social and environmental issues relegated to secondary concerns.<sup>62</sup> Another study noted that the notion of the public interest to be served by government has altered – it is now understood by many Western governments as that interest which maximises the rate of economic growth. This interpretation of the public interest does not give priority to the distribution of the benefits of such growth to those who make up the society.<sup>63</sup>

18.60 Catholic Welfare Australia stated that there *can* be a reordering of priorities – 'we can choose to focus first on those in greatest need and ensure their interests

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59 *Submission* 95, p.3 (Professor Saunders). See also *Submission* 148, p.33 (Catholic Welfare Australia).

60 *Submission* 148, p.2 (Catholic Welfare Australia).

61 Yencken D & Porter L, *A Just and Sustainable Australia*, The Australian Collaboration, September 2001, p.90.

62 Yencken & Porter, p.6.

63 Fincher R & Saunders P, 'The complex contexts of Australian inequality' in Fincher R and Saunders P, eds., *Creating Unequal Futures?*, Allen & Unwin, 2001, p.24.

receive the most weight in the calculus of economic and social policy. We can choose to make poverty reduction a key priority for policy reform'.<sup>64</sup>

18.61 Evidence indicated that economic policy should not be an end in itself but a means – the basic test of the success of any economy should be the well-being of its people. One study noted that:

If growth does not provide properly for the well-being of all Australians, if it does not contribute to the solution of existing social, cultural and environmental problems, if it increases disadvantage, produces new inequities, and further despoils the environment, then it not only causes pain and hardship to those affected but also undermines the fabric of the society and the future potential of the economy.<sup>65</sup>

18.62 Responses to poverty and inequality in Australia must recognise the interconnectedness of all aspects of government policy, including taxation, welfare, community services, and business policy.<sup>66</sup> Governments must recognise the role played by other social and economic policies and institutions in affecting, and in some cases, perpetuating disadvantage in society. For instance, while welfare policy that directs income support to social security recipients may have a significant positive effect of poverty levels, other public policies may increase inequalities. For instance, Governments over several decades have paid limited attention to the severe equity effects of economic policies that have allowed unemployment to rise substantially during and after recessions. Moreover, funding cuts have substantially withdrawn resources from essential human services. As one study noted:

A major challenge for policy is to change the underlying conditions that give rise to growth in poverty and inequality and the exclusion of groups...from the benefits of general improvements in community living standards. Current approaches of economic and social policy interpret the role of government and the "public interest" as purely the maximisation of economic growth. Both poverty and inequality continue to grow, despite apparent sustained economic success. These policies must be substantially rethought and new directions found to place equity and the welfare of all people at the heart of core national values.<sup>67</sup>

18.63 A more socially and economically sustainable community requires services to be available, affordable, inclusive and timely. Services also need to be delivered within a framework of long-term strategies to address the underlying issues of disadvantage in order to build a more equitable country.

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64 *Submission* 148, p.2 (Catholic Welfare Australia).

65 Yencken & Porter, p.6.

66 *Submissions* 44, pp.61-62 (SVDP National Council); 148, pp.2-5 (Catholic Welfare Australia).

67 Yencken & Porter, p.40. See also Fincher & Saunders, pp.23-24.

18.64 Short term economic-based methods of determining outcomes and measuring progress are not adequate. VCOSS argued that there is a need for integrated long-term thinking and planning, which recognises the interdependence between social, environmental and economic challenges facing the community.<sup>68</sup> Internationally, many governments are recognising the importance of innovation and investment in social, environmental and economic capital; linking economic growth with improving services and reducing inequities; sustainable resource use; and effectively engaging with stakeholders in promoting new initiatives.<sup>69</sup>

18.65 Submissions argued that the key to ensuring a sustainable future for all Australians is to integrate a sustainability approach across all government functions. VCOSS noted that building such a framework will require coherent integration of policies across the economic, social and environmental spheres, significant participation of the community in policy-making and implementation, and a strong political commitment to a long-term perspective.<sup>70</sup>

## Conclusion

18.66 Evidence to the inquiry overwhelmingly indicated the need for a comprehensive, national approach to poverty alleviation in this country. Poverty and inequality are becoming entrenched in Australia – too many Australians have been left behind despite a period of sustained economic growth.

18.67 The Committee believes that a national strategy needs to be developed in close consultation with key stakeholders including the welfare sector, unions, State governments and the business community. The Committee believes that there is genuine and widespread community support to enable a consensus to be built around the key goals and broad priorities that are needed for such a strategy. The Committee believes that an anti-poverty summit should be held involving all key groups to further this consensus building process.

18.68 An anti-poverty strategy needs to involve key policy areas including employment, health, education, income support, housing and other relevant areas. Targets related to poverty alleviation need to be set in these areas as part of a whole of government strategy to fight poverty. As a nation we must be prepared to measure our progress in the policy areas that are the drivers of both opportunity and poverty. The development and use of comprehensive anti-poverty targets has assisted the Irish and United Kingdom Governments to measure their progress in tackling poverty and disadvantage.

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68 *Submission* 118, p.32 (VCOSS).

69 *Submissions* 163, pp.26-30 (ACOSS); 148, pp.34-38 (Catholic Welfare Australia); 169, p.27 (Mission Australia).

70 *Submission* 118, p.32 (VCOSS).

18.69 The Committee has recommended that a statutory authority or unit reporting directly to the Prime Minister should be established to develop in greater detail the anti-poverty framework agreed to during the consultative phase, and to provide a mechanism to implement and monitor the anti-poverty strategy adopted. It would be the task of this body to establish benchmarks to measure progress against a series of anti-poverty objectives.

18.70 The Committee believes that we need to create a social and economic environment that proofs the nation against poverty, reducing the risk of economic disadvantage becoming socially entrenched. The Committee also considers that there is a need for a new integrated policy framework where a range of objectives including issues of equity are given equal weight in the formulation of government policy.

18.71 We as a nation can choose the level of poverty that exists in this country. We can structure our policies and national strategies to fight the war against poverty. To fail to do this is to fail the poor and the disadvantaged in our community and to impoverish ourselves as a nation.

Senator Steve Hutchins  
Chairman



# **BALANCING THE PICTURE ON POVERTY**

**1. Executive Summary**

**2. Overview**

**3. Poverty**

**4. Challenges**

## **1. Executive Summary**

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- The best way to assist hardship is to have a job.
- This Government has overseen a strong growing economy, job growth and implemented a number of effective initiatives to combat hardship.
- The Government Senators dispute the myth that 'Australia is losing the fight for a fair go'.
- Australia has high and rising living standards with the benefits having been shared widely across the community.
- Some Australians do continue to face serious disadvantage.
- This is a result of a number of factors, not just income.
- Simplistic approaches such as broad increases in income support do not identify types of hardship, nor do they address the cause.
- National Poverty summits, jobs strategies or statutory authorities to oversee a National Poverty Strategy are not solutions.
- Solutions cannot be achieved by Government alone.
- Ongoing individual, family, and community commitment and maximizing individual empowerment are integral to improved outcomes.
- The key is economic and social participation for all Australians, both in working age and retirement.

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- There is a need to support and encourage participation, self-reliance and mutual responsibility while assisting those in hardship to improve their situation.
  - In situations where assistance is required early evidence-based targeted intervention works best.

### **CORRECTION**

On page 448 the figures at the bottom of the table have been reversed and should read:

ALP	Coalition
\$1.5 billion	: \$2.4 billion

## 2. Overview

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The Government Senators recognise there are challenges to assist those who are suffering from hardship. It is not something that can or should be solved by more meetings, reference groups, taskforces or creating more bureaucracy but rather having the government continue to make decisions that work to the benefit of those very people. It would be even better if that was to be achieved in a bipartisan fashion.

The Government Senators view the Labor Report and its recommendations, not as a serious attempt to enhance existing successful strategies but rather a shallow, naïve and purely political attempt to condemn the government of the day. That is a sad outcome for those for whom this inquiry was initiated.

We would have preferred to deal with many of the issues in more detail however the Labor Party Chair denied us a reasonable extension of time after we received a most unexpected 420 page Draft Report. We requested four weeks to adequately consider all that was contained in the Draft but were given a week otherwise the Labor Party was going to table without comment from the Government Senators.

For the Labor Party to suggest that Australia has a '*rapid growth of inequality*' and '*is losing the fight for a fair go*' and '*there is an increasing loss of opportunity*' defies all logic and fact. It is an example of where politics is put ahead of principle.

The Government Senators were hopeful that such an inquiry would have resulted in a report that seriously sought to strengthen the gains that have been made and that, in the best interests of those affected by poverty, there would be a genuine attempt to reach a bipartisan outcome.

The problems of those affected by poverty are not easily defined, categorised or resolved. Their problems are not solved by simply throwing more money at them, expanding non-effective approaches or setting up more Government committees.

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Issues of poor educational attainment, physical and mental health problems, family breakdown, drugs, alcohol, gambling, smoking, illiteracy, disabilities, and indigenous heritage have all been identified, in one form or another, as important drivers of poor outcomes.

It is a statement of fact that Australia has one of the best and most generous income support systems in the world. There are many systems in the developed world whereby an individual has only a matter of weeks on income support (to which they must have already contributed) before that support is cut off. No such scheme has even been part of the Australian ethos.

Australians are extraordinarily generous in providing income support for those who need it but equally their *'fair go'* attitude to life dictates there be a requirement for participation and a system that does not encourage passivity and dependence. The term *'mutual responsibility'* is something to which Australians can relate.

The Government has shown a commitment to welfare reform including reform to assistance to those of working age. It is that commitment which, it was hoped, could have been enhanced with the outcomes of this Report if the Opposition has been prepared to sideline their political hatchery.

The Government senators therefore consider it important to provide a backdrop of what has been achieved since 1996 prior to considering what programs can usefully be enhanced to give some of the more marginalised people a greater opportunity.

While the current system works well for most people, at no stage are we, or the Government, saying that everything that can be done has been done. Far from it. Dealing with the issue of poverty is much more than glib comments such as *"By 1990 no child will live in poverty"*.

The provision of over 1.3 million new jobs, well distributed between full and part time employment and between men and women, has resulted in a massive 30% fall in the unemployment rate since 1996 – from 8.2% to 5.7%.

There have been more real full-time jobs created in the last six months than there was in the last 6 years of the previous Labor government. The benefits of this have had a broad geographic impact; almost half (46%) of local government areas now have unemployment rates lower than 5%, compared with just 16% when the Howard Government came to office. Also, there is now only one labour market region that has an unemployment rate over 10% as against 15 regions in 1996.

The best national jobs strategy is the implementation of government policies which ensure strong economic growth, including low inflation, low interest rates, budget surpluses, a flexible workplace relations system and a tax system which does not penalise entrepreneurial activity.

The Government has paid back \$66 billion of the Labor Government's \$96 billion debt, freeing up \$5 billion a year in interest alone for new and expanded Government services.

Good economic management is not accidental and good economic management is not something that should be taken for granted. The gains that have been made in employment opportunities, real wage increases, low interest rates and low inflation (that benefit rich and poor alike) are all at risk if glib, fanciful and unrealistic targets and programs are instituted.

It must also be recognised that assisting people facing disadvantage is not just a Commonwealth Government responsibility. It is a responsibility that must be shared by all levels of government, by communities, by churches and other altruistic bodies, by business, by families and by individuals. The Commonwealth Government has however sought to support each of these important components of our society. It acts in partnership with state and territory governments on important issues such as disability and housing through Commonwealth-State agreements.

It also must be remembered that the Commonwealth collects the Goods and Services Tax and pays the net value, in full, to the State and Territory governments. The GST provides to the States and Territories \$575 million more than they would

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have received under the previous revenue sharing arrangements. By 2006 that figure will be \$1.4 billion more and will continue to grow.

The Government Senators believe that it is appropriate for government to take responsibility for policies and to be accountable. Therefore, we cannot agree that it would be either wise or necessary to adopt a recommendation (No. 95) of the Labor Party to establish a statutory authority. This would only remove the sense of responsibility of others, and the functions that such a body could perform are already being undertaken.

The worrying thing about such broad recommendations is that no government in the world has ever accepted a figure on a poverty line as setting poverty targets have no real benefit, they are a poor measure and are misleading and measuring poverty through 'income' has found to be inaccurate. The United Kingdom has spent over 12 months trying to come up with a definition of childhood poverty and still hasn't succeeded. There is ample evidence that the sort of income poverty measures incorporated into these targets poorly measure the real outcomes for people and that income based measures are based upon simplistic assumptions that higher taxes and benefits will solve peoples' problems.

Ireland is often quoted as having set 'poverty targets' and yet there is now extensive discussion in community organisations that these 'income poverty targets' have failed to deliver any real tangible benefit. Ironically, between 1994 and 2001, while low incomes rose strongly, Ireland's relative income poverty levels increased from 15% to 22%, as median incomes increased even more strongly.

Below is a list of key indicators that demonstrate the gains that have been made and ones on which the Government senators had hoped Labor would want to build.

**Table 1: Key Indicators**

<b>ALP</b>	<b>Issue</b>	<b>Coalition</b>
3% (1988-96)	Annual GDP Growth	3.7% (1996-2003)
1.7% (1988-96)	GDP per capita	2.4% (1996-2003)
10.9% (1992)	Unemployment Rate	5.7% (2004)
934,000 (1992)	Number of Unemployed	583,000 (2004)
7.6% (Mar 1996)	Female Unemployment	6.1% (Jan 2004)
8.6% (Mar 1996)	Male Unemployment	5.4% (Jan 2004)
11.6% (Mar 1996)	Youth Unemployment	9.5% (Jan 2004)
7.9% (Mar 1996)	Mature age Unemployment (55- 59 YO)	3.7% (Jan 2004)
16%	Local Government areas with unemployment less than 5%	46%
15	Labor Market regions with unemployment above 10%	1
nil	Working Credit	\$1,000
nil	Training Credit	\$800 / fortnight
141,000	Apprenticeships	398,200
17% (June 1989-Mar 1990)	Home mortgage rate	7.05%
4%	Average Annual Inflation	2.4%
	Job creation	>1.3 million
+ 7.6%	Average Weekly Earnings	+ 16%
	Average disposable household income	+ 13% (since 1996)
-2.5% (1992-96)	Real Value of Wages	+ 6.5%
\$96 billion	Nation's Debt	\$29.7 billion
\$5,234	Government debt per capita	\$1630
\$18.6 billion	Expenditure on Health	\$31.1 billion
\$2.4 billion	Expenditure on Gvt. Schools	\$1.5 billion



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### 3. Poverty

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Concepts of poverty have many dimensions. While some people conceive of it in terms of income, others emphasise levels of consumption, while still others view it in terms of outcomes – what actually happens.

Broader concepts of poverty such as capabilities consider the question in terms that encompass individual attributes, needs and resources – as well as the ability of people to use these.

Research has very clearly shown that when these concepts are measured, to the extent they can be, there is at best little congruence between the approaches. For example, a large group of the people who are seen to be in consumption poverty are not the same as those who have been identified as being in income poverty. Similarly, income poverty poorly identifies those people with the most adverse outcomes. Not only does it describe as being in poverty many who show little if any disadvantage, it defines many as not being in poverty despite the fact they show much more adverse social outcomes than many of those identified as being in poverty.

The issue of income inequality in Australia also needs to be clarified. The Household, Income and Labour Dynamics in Australia (HILDA) survey indicates that claims about the inequality of income and wealth distribution can be misleading. Results of the research show that wealthy households are generally middle-aged working households who have been saving for many years, including building up superannuation and other assets. The median wealth of a household headed by someone in their 50s is around 10 times that of a household with someone in their 20s. This is a reflection of lifecycle patterns in savings and consumption.

Australia also has a high degree of income mobility; meaning that people's income and their wealth change with time. The HILDA survey found that by 2002, 60% of people on the lowest income scale had moved up out of this income bracket.

Simple measures not only give simple and misleading results, they encourage simple 'solutions'. That is not what the Howard Government is about. The Howard Government wants long term, sustainable solutions that will benefit as many as conceivably possible.

Getting more people in jobs reduces the risk of poverty and welfare dependence amongst families with children. Early intervention policies, including investment in early childhood programs and support to youth facing critical lifecycle transitions, and family support services, such as the Commonwealth Financial Counselling Program and the Family Relationships Services Program, also reduce the risk of poverty.

Research conducted by the Department of Family and Community Services shows that young people who grow up in households that rely on income support are significantly more likely than other young people to receive income support themselves in their late teens. Between the ages of 16 and 20 years, young people from income support families were around three times more likely to be receiving income support as young people from middle income families.

Overcoming disadvantage, hardship and poverty is not as simple as giving people a few more dollars in income support, yet this is what income poverty measures and the Labor Party suggest solves the problem.

A result of this is that adopting poverty benchmarks and targets, instead of providing any guidance in how to reduce real problems and address causes, simply encourages governments to pursue policies that reduce the target. Many of the measures are also perverse.

Commonly-used relative poverty measures can suggest that poverty is falling at times when living standards of the poor are declining. They also suggest that higher taxes on middle and higher income earners reduce poverty – regardless of what happens to the incomes of the poor.

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The Government senators cannot accept a National Poverty Summit (Recommendation 94) will achieve anything more than has been achieved with this committee.

The Government Senators believe there is a need to avoid creating anymore talkfests or occasions for grandstanding. The views and preferred approaches of different interest groups in this field are already well known – including through the inquiry. What is needed is a better understanding– especially of issues such as multiple disadvantage, early intervention and welfare reform. The Government has been identified as doing many of these.

These include:

- welfare reform consultations
- the funding of the HILDA report and other Social Policy Research, and
- the funding and introduction of *Australians Working Together*.

People who call for a summit ignore the tremendous effort made by community and other groups already, in their regular and important submissions to and consultations with government.

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#### 4. Challenges

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##### *Persons with severe hurdles to employment*

International and Australian research suggests that the most successful approaches to help people improve their prospects of employment include those with incentives that ensure rewards from working and participation requirements tailored to individual circumstances and capacity. This is the basis for welfare reform and the *Australians Working Together* package, including Personal Advisers and the Personal Support Programme.

**Table 2: Initiatives aimed at encouraging participation by people of working-age**

<b>Initiative</b>	<b>Description</b>
Personal Support Program	Provides support for people with major non-vocational barriers to participation (implemented July 2002)
Transition to Work program	Provides vocational assistance to parents, mature age workers and indigenous job seekers who have been out of the workforce (implemented July 2002)
Training Accounts	Funds training for indigenous and mature age job seekers (implemented July 2002)
Training Credits	Funds training for job seekers who have participated in Work for the Dole or Community Work (implemented July 2002)
Passport to employment	Provides job search support services for Work for the Dole or Community Work participants (implemented July 2002)
Centrelink Personal Advisers	Provides participation support for target groups including parents, older workers and 'at-risk' claimants of Newstart Allowance (implemented September 2002)
Better assessment of people with disabilities	Provides better assessment services for the purposes of assessing Support Pension and exemptions from the Newstart Allowance activity test for reasons of temporary incapacity (implemented September 2002)

Support for parents	<ul style="list-style-type: none"> <li>• Provides additional child care places (implemented September 2002)</li> <li>• Introduction of compulsory interviews where youngest child is aged over 6 and participation requirements where youngest child is aged over 13 years (implemented September 2003)</li> </ul>
Support for older workers	<ul style="list-style-type: none"> <li>• Introduction of voluntary interviews for payments without participation requirements, ie Mature Age, Partner and Widow Allowees (implemented September 2002)</li> <li>• Closing off of Mature Age and Partner Allowances to new customers (September 2003)</li> <li>• Introduction of compulsory annual interviews for Widow Allowance recipients (September 2003)</li> <li>• Introduction of a flexible activity test for NSA recipients aged over 50 (September 2003)</li> </ul>
Working Credit	Provides incentives to part time work by allowing people to keep more of their income support payment when they receive wages (implemented September 2003)
Support for Indigenous People	<ul style="list-style-type: none"> <li>• Introduction of Indigenous Employment Centres to provide Community Development Employment Project participants with the skills and experience they need to make the transition into the paid workforce</li> <li>• Centrelink to progressively establish 12 new Remote Area Service Centres located to service remote communities</li> <li>• Research to assist remote communities to identify practical ways for their members to contribute to their families and communities in return for income support through Community Participation Agreements</li> </ul>
Language, Literacy and Numeracy Supplement	Assists with costs of attending training courses (implemented September 2003)
Disability places	Extra \$160 million for disability employment services (implemented progressively from July 2003)

By December 2003 more than 145 000 eligible clients accessed the services of some 750 Centrelink Personal Advisers, and more than 100 000 participation plans have been put in place.

Almost a third of income support recipients experience a common mental disorder (e.g., anxiety, depression, substance-use disorder) in any 12 month period, compared to 18 per cent of the general Australian population. This figure is even greater among some client segments, with almost half of all lone mothers on welfare experiencing mental health problems. Further, these conditions are associated with significant barriers to economic and social participation.

However, most of those experiencing mental health problems do not seek help.

There are a range of programs to help those with severe problems including:

- Disability Support Pension (DSP);
- Reconnect;
- Supported Accommodation Assistance Program;
- Disability Employment Assistance; and
- Personal Support Program.

However, recent research shows a worryingly high prevalence of less severe, but still disabling, mental health problems among income support recipients, especially lone mothers.

The Government Senators note the Government is developing targeted interventions for these, based on recommendations from the Centre for Mental Health Research.

Training does have an important role in improving hardship, but it is not a universal panacea. Simply to call for more training ignores the wide range of different approaches needed.

The Government has adopted many strategies including work for the dole, access to childcare, improving incentives and through personal advisors to ensure that balance is right and meets individual's needs. Work for the Dole has provided 40 000 man years of valuable work experience, 15 000 community projects and 0.25 million Australians contributing benefits to their communities and adding to their work experience.

The Government, in 2003, has also almost doubled the number of apprenticeships created compared with 1996.

International evidence from programs to improve employability through education, training and subsidised work tends to be mixed. Programs which are more employment-focused do improve employment outcomes. Program outcomes vary, often depending on the individual's circumstances, including their level of disadvantage, skills, education and training, and access to suitable labour markets.

There is evidence that community work programs may deter some clients from continuing on unemployment payments, instead inducing them to leave that payment rather than undertake the program. Evidence also suggests some participants in the community work programs may become 'attached' to the program and consequently reduce their likelihood of gaining employment while on the program.

***Recommendations:***

- The Government Senators recommend that initiatives that assist the transition from welfare to work continue to be developed and implemented. These initiatives should include those that:
  - address the hurdles confronted by the unemployed
  - improve job readiness
  - address onsite and job-centred training
  
- In particular, the hurdles of language, literacy and numeracy should be identified as priorities.

- Government initiatives should continue to be evaluated and funding directed to those initiatives delivering outcomes for those facing hurdles to employment.

### *Interaction between minimum wage and labour demand*

Under this Government average weekly ordinary time earnings for a full-time adult male are currently \$993.30.

- this is a real increase of over \$145 per week since 1996
- a total growth of 17.1%
- and an annualised compound growth rate of 2.1%.

For women the rate of growth is even faster

- 18.8% over the period February 1996 to November 2004
- an annualised growth rate of 2.2%.

These growth rates are substantially above those recorded in earlier periods.

The \$145 per week increase in real earnings between February 1996 and November 2003 (a period of 7¾ years) compares with just a \$45 per week gain in the 12½ years from November 1983 to February 1996.

The annual growth rate for males of 2.1% over the later period compares with just 0.5% for the period under Labor.

For women the rates are 2.2% and 0.7% respectively.

Since 1998 ABS have produced living cost indexes which consider the impact of prices on different groups in the community. These show that the impact has been relatively uniform, and in particular that the experience of income support recipients has been similar to that of the rest of the community.

Since March 1998 the maximum single rate of age pension has increased by \$36.40 a fortnight more than it would have done under the previous tax system. The effect of these measures has been to increase the real rate of pension by more than 7% above the CPI increase between March 2000 and September 2003. The Australian



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minimum wage is amongst the highest in the world, both relative to other earnings and in real terms. It has also grown substantially over recent years.

A high minimum wage minimises the risk of having a large body of working poor, it ensures there are reasonable financial incentives to take a job and it gives employers an incentive to maintain workers' productivity by investing in them.

However, it definitely makes entry or re-entry into the labour market more difficult for some groups – especially the young unskilled. Employers will not take on someone whose expected productivity is not high enough to justify the cost of employing them. As no pay is clearly a bigger contributor to disadvantage in Australia than low pay, unwarranted increases in minimum wages are likely to increase rather than reduce the level of disadvantage in the community.

Low-wage families with children have their wages supplemented by family payments. While the current Federal Minimum Wage is around \$431 per week, the net total income of a minimum wage couple household that is renting, with a single income earner and two children, is around \$680 per week. - \$130 to \$250 a week above the commonly used poverty lines for such a household.

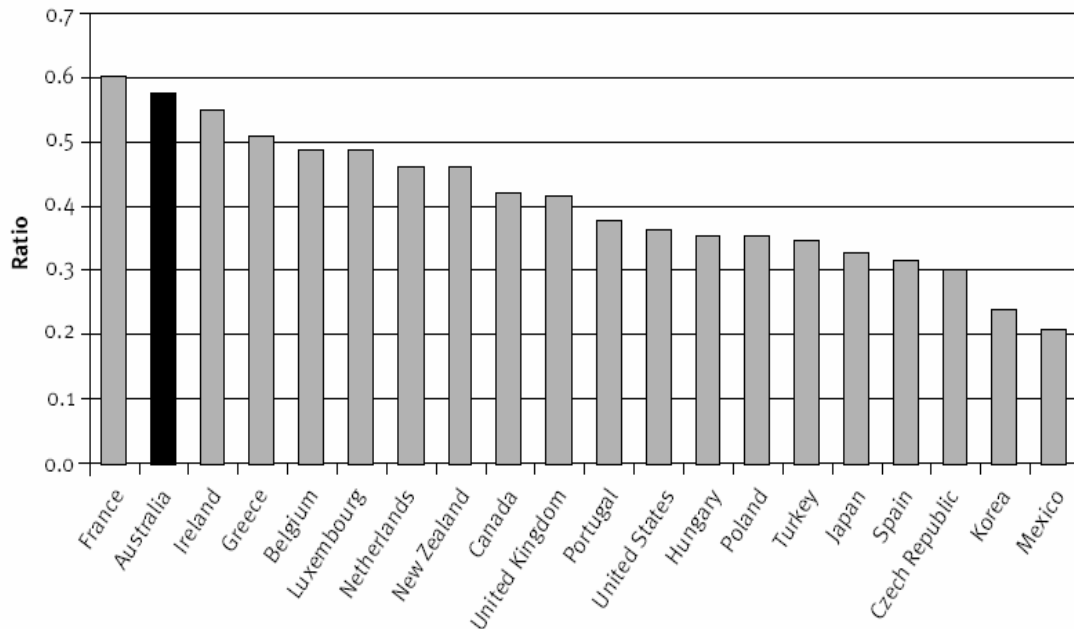
Similarly, for a single person, a full time minimum wage should put them some \$70 to \$150 a week above the usual poverty lines. Even where a person is employed part-time, the interaction between income support and earnings is such that they usually should be well above these poverty lines. Some minor exceptions may arise to this for some youth in particular living circumstances working short hours or at junior rates.

Despite this some survey-based estimates talk of the 'working poor'. Analysis of these cases in the survey strongly suggests this reflects poor recording of income in such surveys. These cases usually record implausibly low hourly rates of pay (well below the minimum wage) or levels of family payments and income support well below the rates for which such a household would be eligible. It should be noted that much of the rhetoric around the working poor reflects the situation in the United States of America. Attempts to draw parallels between low waged employment in

that country and in Australia are very misleading. For example, in the US the minimum wage is \$US5.15 an hour and excludes entitlements to leave. For a 40 hour week this gives a gross income of \$US206 (less 10% tax), compared to their official poverty line of \$US178.

At current exchange rates the Australian minimum wage is about \$US340. In contrast to Australia, where very few people (around 2%) are employed on the minimum wage, large numbers of jobs are paid at this rate in the US.

For most job seekers, unemployment is a transitory phase. However there are people who, once they become unemployed, find it difficult to obtain suitable employment. The social safety net performs a vital function as it provides unemployed people with income and a variety of other support to help them meet basic living expenses. It also provides a range of incentives and obligations to help them actively participate in the community and so limit the amount of time they need to be on income support. An appropriate balance of obligations, assistance and incentives is essential for encouraging participation. This needs to be supported by a fair but firm compliance regime with penalties for non-compliance.

**Table 3: Minimum Wages Internationally****Figure 22:** Main OECD countries: minimum wage as a proportion of median weekly full-time earnings, late 1990s

Source: Keese, M and A. Puyroyen (2001, forthcoming)

### Recommendations:

- The Government Senators recommend that we do not return to unnecessary government intervention in the form of outdated labour market programmes, which were proven to be unsuccessful in the 1970's and would be a retrograde step to implement now.
- The Government continue to introduce further reforms, which increase labour market flexibility while maintaining a safety net.

The Government Senators recognise that Australians may be in possession of large assets without having a large income stream.

Income support payments are means tested to make sure that they go to those in most need. People with substantial assets, apart from the home in which they live, are generally expected to use these assets to support themselves rather than rely on other taxpayers for support.

However, the system has special provisions to help where this is not reasonably feasible. There are hardship provisions that can allow assets to be disregarded. Where this does not apply, the Pension Loans Scheme allows people to effectively borrow against their assets for their lifetimes.

Further, the Government also provides extra concessions for retiring rural people, such as the foregone wages provisions, the aggregation rules, and concessions that allow retiring farmers to hold their farm in a trust so they can hand over the farm to the next generation without having their pension affected.

Under the assets test a pensioner's home is exempt from the assets test. However, where the home is on more than 2 hectares (5 acres), the value of the land in excess of the 2 hectares (called curtilage) is included as an assessable asset for the purpose of the assets test. Where the value of the principal residence is in excess of allowable curtilage it is likely to affect a person's income support payment.

The Government Senators recognise some farmers, in particular, may be under hardship. Special hardship provisions exist that assist Australians who have assets that they are unable to sell, are in the processes of selling, or which it would be unreasonable for them to sell.

The Government also assists rural young people through access to additional benefits such as Rent Assistance and Fares Allowance.

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**Recommendations:**

- The Government evaluate the potential benefits and pitfalls of easing the curtilage rules to assist mature-age Australians.
- The Government Senators support the recent superannuation changes including the introduction of market-based income stream products and the Government's co-contribution measures to assist those Australians on low-income to save.

**Participation**

More Australians are working than ever before - the proportion of the adult population in paid work is at record highs (61% in January 2004). Both men and women have increased their participation since 1996, although the increase has been much stronger for women than men – a continuation of trends going back to the 1960s. The growth in opportunity has also meant that those who work are working longer hours.

However, the decline in men's labour force participation, and especially older men's participation, which was a feature of the decades leading up to the mid 1990s, appears to have stopped and even reversed in the last ten years. While some of this may be the fruits of strong economic growth, there is reason to hope that the measures the government has taken to encourage older men to stay working have begun to take effect – the employment rate of men aged 55-64 has risen from 55% to 61% since 1996.

As the Treasurer's recently released *Demographic Taskforce Paper* highlighted, the challenges of increased social spending as a result of an ageing population need to be addressed. A 2% increase in participation of the nation's population in the workforce would result in a 9% increase in the nation's GDP. Labor's opposition to creating an environment whereby people over the age of 55 can work longer if they choose (either part or full-time) ignores the desire of those concerned and overlooks the possible poverty impacts in later life. That, we believe, was what we were aiming to overcome.

Many recommendations of the Majority Report involve simply greater expenditure on new programs or existing ones. The Report as a whole is not a responsible response in light of the Treasurer's *Demographic Taskforce* paper.

Part time hours are popular with working Australian women – 45% of them work less than 30 hours per week. This is one of the highest proportions in the world.

The evidence strongly suggests that most of those working part time do so because they prefer to – it allows them to balance work, family responsibilities and leisure. More people of all working age now have greater choice, and the Labor Party (it would be hoped) would stop wanting to remove or belittle that choice.

Youth (15-19 years) unemployment has fallen from a high of 29% in 1993 to 17%. This is still too high, but it must be remembered that the unemployed are only about 9% of the 15-19 population – many of the rest are studying full time.

Issues surrounding children who have to leave their homes because of parental violence are complex and variable.

Under Youth Allowance, young people who leave the parental home due to parental violence or abuse are treated as independent as it is unreasonable for them to live at home. Specialist assistance is offered by Centrelink Social Workers.

There are also several special programs to help youth:

*Reconnect*

This provides early intervention support for young people, aged between 12 and 18 years, who are homeless or at risk of homelessness, and their families. There are 98 Reconnect services operating across Australia. In 2002-03 they helped 11,392 young people and their families.

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### Job Placement, Employment and Training Program (JPET)

JPET offers ongoing support and referral services to young people overcoming a range of problems, including housing, substance abuse, family difficulties, sexual or other abuse, lack of self-esteem, reliance on income support, and other barriers to employment, education or training. The program helps over 14,000 eligible young people each year.

### Youth Activities Services (YAS)

The Youth Activities Services Program supports young people (aged 11–16 years) and their families to build self-reliance, strengthen family relationships and encourage community involvement. The program provides after school activities that are both creative and challenging and also have an aspect of positive peer support. There are 91 YAS services currently operating.

Transition to Work (TTW), which commenced on 1 July 2002, is a key component of assistance for people returning to the workforce. The primary objectives of TTW are to provide preparatory assistance that builds self esteem, addresses confidence issues and improve individuals' prospects of obtaining paid employment through assessment, skills training, support and advice on how to get into the jobs market. For some it will be the first step in their return to paid employment.

### ***Recommendations:***

The Government Senators recommend

- a continuing increased focus on participation (return from welfare to work, increased mature age participation) and self-reliance to maximise economic growth and minimise personal hardship.
- a review of the structural and cultural barriers to mature-age employment.

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*Breaching*

The Howard Government was extremely concerned about the Labor Government's breaching policy in which people had all benefits removed if they failed to meet any of their activity requirements.

There was a need for a change that was fairer so the Howard Government has done extensive work in this area in the quest to minimize potential adverse impacts of breaching on vulnerable job seekers.

As a direct result of administrative improvements and policy changes, breach numbers reduced by 30% in 2001-02, and 50% in 2002-03 and this trend continues. Job seekers are now also given 14 days notice before a breach penalty commences, **compared to a 'no notice policy'** under Labor. This gives job seekers more warning before they start to receive reduced payments and is one of the recommendations from the Ombudsman's Review.

***Recommendations:***

- That the Government continue to implement initiatives that decrease the number of clients breaching while upholding the principles mutual obligation and joint responsibility.

***State and Territory issues***

The States have a poor record on child protection issues, as a long succession of scandals have indicated. There is little doubt that the justice and (Commonwealth-funded) welfare systems are having to bear the burden of decades of inadequate resourcing and poor management in this area. The neglect by the states of early childhood intervention is one motive for the Australian government now diverting funds to this.



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A number of Australian Government initiatives recognise the costs incurred by people with disabilities. Assistance includes:

- concessions linked to the Pensioner Concession Card
- cash payments (e.g. Mobility Allowance, Pharmaceutical Allowance)
- tax relief (e.g. the Medical Expenses Offset);

The Government currently funds approximately 430 non-government organisations to provide employment assistance services to people with disabilities nationally. The Government also funds Commonwealth Rehabilitation Service Australia (CRS) to provide vocational rehabilitation services nationally.

In 2002-03 a total of 64,639 people with disabilities were assisted by disability employment services at a cost of \$303.7 million, and a further 35,892 were assisted by CRS Australia at a cost of \$113 million. The Government also funds a range of employer incentive programs that seek to encourage and assist employers to employ people with disabilities that include wage subsidies, a workplace modifications scheme, the Supported Wages System and a Disability Recruitment Coordinator function.

The State and Territory Governments have responsibility for the planning, policy setting and management of accommodation support for people with disabilities. However, we understand the Australian government is very concerned for the accommodation needs of people with disabilities. The Australian Government provides substantial funds to states and territories towards meeting their responsibilities, and the latest version of the Agreement includes strong reporting requirements so that all parties – and people with disabilities and their families – can satisfy themselves that state governments are doing the right thing by people with disabilities. Bilateral agreements with each state and territory include strategies to improve systems for balancing long-term accommodation demand with other early intervention.

Poor urban planning, public housing policy and transport infrastructure have created pockets of disadvantage in the major capital cities and in some regional areas. Once

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created, these 'poor neighbourhoods' are a difficult problem to remedy, as they set up vicious circles of low aspirations, low education and low employment.

Housing is primarily a State Government responsibility to which the Commonwealth makes a contribution. Many of the issues associated with the cost and availability of housing are local and better addressed at that level. For the 2003 Commonwealth State Housing Agreement (CSHA), the Australian Government is providing around \$4.75 billion over five years. About \$3.72 billion of this will be provided as base funding which is primarily used for public housing. This will allow five years of fiscal certainty for States and Territories to provide housing assistance.

The CSHA assists around 400,000 households. The 2003 CSHA features indexation for the first time. Currently around \$1.9 billion is provided per annum for Rent Assistance supporting around 940,000 families / individuals.

The development of the Government's programs for housing assistance, the CSHA, the Rent Assistance Program for the private rental market, and support for home ownership through the First Home Owners Grant scheme, have ensured that the broader issues of welfare and support services, employment, the housing industry, taxation, and other national objectives are being taken into account.

The most important element of the government's present strategy for homelessness is to develop people's capacity, especially through Personal Advisers and the welfare reform agenda. The Australian Government response to homelessness is being coordinated under the National Homelessness Strategy, which recognises that homeless people have many different needs and therefore need a range of responses. The Strategy is underpinned by Supported Accommodation Assistance Program and includes a number of targeted initiatives, such as the Family Homelessness Prevention Pilots.

States and Territories have promoted gambling as a source of revenue. Their revenue from gambling has grown enormously since 1992. Given the issues of transparency and reporting standards for gambling revenues and related

programmes in the states, it is difficult to ascertain precise information on State and Territory expenditure on gambling support services.

Estimates of the amount spent on problem gambling services as a proportion of total gambling revenue range from .04% in WA to .49% in SA – neither of which is a substantial part of the revenues raised through gambling activities. Spending levels on problem gambling services do not reflect the growth in revenue from gambling or in the numbers of people experiencing gambling problems.

	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	TOTAL
<b>Per Capita Gambling Expenditure 2001-02</b> (dollars)	\$1,211	\$1,180	\$842	\$784	\$469	\$726	\$966	\$1,576	\$1,016
2000-01	\$1,197	\$1,146	\$808	\$735	\$464	\$660	\$966	\$1,250	\$988
Gambling expenditure as a % of household disposable income	3.83%	3.81%	3.19%	2.95%	1.64%	2.95%	2.42%	4.45%	3.41%
<b>Total Gambling Expenditure</b> 2001-02 (millions)	\$6,047	\$4,365	\$2,306	\$909.6	\$673.4	\$256.4	\$231.3	\$216.9	\$15,005
<b>State/Territory Govt. Revenue</b> (millions) 2001-02	\$1,201	\$1,370	\$555.9	\$306.2	\$223.5	\$64.1	\$47.2	\$34.7	\$3,803
State/Territory Govt. Revenue Estimate of GST Relativities – Gambling (millions)	\$558.4	\$413.2	\$207.5	\$86.2	\$60.1	\$24.5	\$21.3	\$14.5	\$1,386
<b>Total Revenue</b>	\$1,759	\$1,783	\$763.4	\$392.4	\$283.6	\$88.6	\$68.5	\$49.2	\$5,189
<b>Revenue Change 10 yrs</b>	91%	206%	162%	194%	63%	110%	77%	270%	-
<b>Expenditure Change 10 yrs</b>	122%	293%	134%	172%	31%	116%	78%	281%	-
Estimated current percentage of gambling revenue expended on problem gambling services **	.29%	.46%	.24%	0.49%	0.04%	.4%	.16%	Not possible to estimate	

**Table 4: State Gambling Revenue**

State and Territory **revenue** from gambling has **increased markedly** over the period 1992-93 to 2001-02.

- Victorian revenue growth increased by a massive 200% from \$581.3 million to \$1.7 billion.
- In NSW, revenue growth was 91% from \$918.2 million to \$1.7 billion.
- Queensland revenue growth was 162% from \$290.7 million to \$763.4 million.

- South Australia had a similar revenue growth rate of 194% from \$133.3 million to \$392.4 million.
- WA revenue growth was 63% from \$173.5 million to \$283.6 million.
- Tasmanian revenue growth was 110% from \$42.2 million to \$88.6.
- ACT revenue growth was 77% from \$38.7 million to \$68.5 million.
- NT revenue growth was an enormous 270% from \$13.3 million to \$49.2 million.

The Australian Government has led the way in addressing these problems. It has already

- committed \$8.4 million for research and to raising public awareness of problem gambling
- established the Ministerial Council on Gambling

### ***Recommendations:***

While the Government Senators are not in the habit of making recommendations outside their jurisdiction, they believe there are two issues that really require the urgent attention of the States and Territories.

- Housing
  - That State Governments should assist home buyers by reviewing their ever increasing stamp duty taxes on houses as those increases virtually wipe out the benefit of the first home buyer incentive.
- Problem Gambling
  - That State and Territory Governments reduce their reliance on Gambling as a source of revenue and increase investment in problem gambling programs.

### ***Credit card and social disadvantage***

Across the Australian community, the incidence of ongoing credit card debt is surprisingly low. However, it is a problem for a minority of people - not all of them low income. A recent study of ABS data found that having credit card debt is only weakly

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associated with measures of serious financial hardship. Where such debt and hardship are found together, the household is often found to be suffering serious cash flow problems that indicate poor financial management of limited resources. In contrast, many elderly households are found to have low incomes but are yet living quite comfortably.

This suggests that financial education has an important role to play in reducing the incidence of real poverty, and conversely that raising the cash incomes of the poor may not be sufficient to lift them all out of hardship.

The Government Senators support the development of the Government's *National Consumer and Financial Literacy Taskforce* and look forward to its recommendations in August 2004.

***Recommendations:***

- That the Government continue to recognise the need for financial counselling as an effective initiative in assisting Australians in moving from welfare to work, and to prevent them accumulating unsustainable debt

***Indigenous Australians***

The Australian Government has shown a commitment to working more closely with Indigenous communities in establishing mutual obligation strategies and developing sustainable partnerships. Policy development and program delivery are engaging more directly with local Indigenous communities in the identification of priorities, consideration of local needs, capacity, participation and disadvantage. A significant example of participation is the implementation of the Indigenous Community Coordination Pilots (ICCP), which have been established in each State and Territory. ICCP is a Council of Australian Governments (COAG) initiative and is based on the development of partnerships between the local Indigenous communities, the Australian Government and State/ Territory Governments. The extent of poor outcomes for Indigenous Australians has been identified in the report to the Steering Committee for the Review of Government Service Provision, titled “*Overcoming Indigenous Disadvantage: Key Indicators 2003*”. This report confirms that Indigenous

Australians continue to experience marked and widespread disadvantage.

Indigenous Australian disadvantage is compounded by the extensive diversity within the Indigenous community related to culture, language, literacy, environment and regional isolation.

***Recommendations:***

The Government continue to assist Indigenous Australians through initiatives which:

- identify hurdles to employment and participation
- assist with the removal or overcoming of those hurdles
- assist with the transition from welfare to work

Senator Sue Knowles (Deputy Chairman)  
Liberal Party, Western Australia

Senator Gary Humphries  
Liberal Party, Australian Capital Territory

## APPENDIX 1

### LIST OF PUBLIC SUBMISSIONS, TABLED DOCUMENTS AND OTHER ADDITIONAL INFORMATION AUTHORISED FOR PUBLICATION BY THE COMMITTEE

- 1 Mendes, Dr Philip (VIC)
  - 2 Hemlof, Mr Loris Erik Kent (SA)
  - 3 Martin, Mr Dennis (SA)
  - 4 Venner, Mr Ross (NSW)
  - 5 Costello, Mr Nick (VIC)
  - 6 Cox, Mr David (NSW)
  - 7 Wilson, Ms Margaret (NSW)
  - 8 Hill, Mr George (NSW)
  - 9 Murphy, Mr Raymond (NSW)
  - 10 Williams, Mrs M (SA)
  - 11 Schilling, Mr Ashton (SA)
  - 12 Needham, P R (TAS)
  - 13 Barnett, Mr Michael (SA)
  - 14 Whitfield, Mr Keith (NSW)
  - 15 Catholic Women's League (Tasmania) Inc (TAS)
- Supplementary information*
- Competing family models, competing social policies, Dr Catherine Hakim, AIFS conference 12 March 2003, provided at hearing 2.5.03
- 16 Bollard, Mr Ian (WA)
  - 17 Underemployed People's Union WA Inc (WA)
  - 18 Anonymous (VIC)
  - 19 Preston Reservoir Progress Association (VIC)
  - 20 Southlakes Refuge (NSW)
  - 21 Newcastle Welfare Rights Information Service Inc (NSW)
  - 22 Cooranbong Community Services Centre (NSW)
  - 23 Balaam, Mr Kevin (VIC)
  - 24 Aboriginal Corporation for Homeless and Rehabilitation Community Services (NSW)
  - 25 Anonymous (VIC)
  - 26 Amy, Ms Ruth (NSW)
  - 27 National Council of Women of Australia (ACT)

- 28 Australian National Organisation of the Unemployed (QLD)
- 29 Combined Pensioners and Superannuants Association of NSW (NSW)  
*Supplementary information*
- Additional information following hearing , dated 5.9.03
- 30 Jesuit Social Services (VIC)
- 31 Anonymous (NSW)
- 32 Tasmanian Catholic Justice and Peace Commission (TAS)
- 33 Carers Australia (ACT)
- 34 Brons, Mr Ron (VIC)
- 35 Springvale Benevolent Society Inc (VIC)
- 36 Winton Shire Council (QLD)
- 37 Lutheran Community Care (SA)
- 38 Maynard, Ms Jacqui (NSW)
- 39 Country Women's Association Of New South Wales (NSW)
- 40 Newcastle Family Support Services (NSW)
- 41 Dianella Community Health Inc (VIC)
- 42 Catholic Women's League Australia Inc (ACT)
- 43 Dandenong and District Benevolent Society (VIC)
- 44 St Vincent de Paul Society - National Council of Australia (NSW)
- 45 Centre for Independent Studies (NSW)  
*Supplementary information*
- Summary of opening statement provided at hearing 27.5.03
- 46 South Australian Council of Social Service (SA)  
*Supplementary information*
- Summary on Social Disadvantage in South Australia, April 2001 provided at hearing 29.4.03
  - Social Disadvantage in South Australia Report, April 2001 provided following the hearing 29.4.03
- 47 Chelsea Neighbourhood House Inc (VIC)  
*Supplementary information*  
Provided at hearing 1.5.03
- 2001 Annual Report and information
  - Striking a Balance, The Impact of Gaming in the City of Kingston, July 2002
  - City of Kingston Health Data Profile, February 2001
  - City of Kingston Strategic Public Health Plan 2002-2005
- 48 Knox Community Care (VIC)
- 49 No submission
- 50 Shop Distributive and Allied Employees' Association (VIC)



- 
- 51 Women's Action Alliance (SA)  
*Supplementary information*
- Letter to SA Minister for Health re HECS debt, 20.2.03 provided at hearing 27.5.03
- 52 Mid North Primary Health Care Committee (SA)
- 53 North Queensland Branch of Queensland Shelter (QLD)  
*Supplementary information*
- Supplement to submission presented at hearing 6.8.07
- 54 Johnston, Mrs G (NSW)
- 55 Barrett, Mrs Sandra; Fisher, Mrs Alice and Arendse, Mrs Yvonne (VIC)
- 56 Australian Bahà'i Community (ACT)
- 57 Australian Federation of Homelessness Organisations (ACT)  
*Supplementary information*
- Paper on AFHO position for CSHA negotiations, June 2002, received 25.6.03
- 58 Country Women's Association of Victoria Inc (VIC)
- 59 Shelter South Australia (SA)  
*Supplementary information*
- Rebuilding the Australian Dream, National Shelter Policy Platform -2003, April 2003 provided at hearing 29.4.03
- 60 Australian Family Association (VIC)
- 61 Cranbourne Information & Support Service (VIC)
- 62 Fairfield Migrant Resource Centre (NSW)  
*Supplementary information*
- Copy of sub to Senate EWRE Committee inquiry into current and future skills needs provided at hearing 28.5.03
- 63 Laverton Community Centre & Neighbourhood House Inc (VIC)  
*Supplementary information*
- Housing, income and other statistical data for local area provided at hearing 1.5.03
- 64 University of Technology Sydney (UTS) Students' Association (NSW)
- 65 Dobson, Ms Jo (NSW)
- 66 Wilson, Mr Peter (VIC)
- 67 Dixon, Ms Barbara (NSW)
- 68 The Australia Institute (ACT)
- 69 Victorian Government (VIC)
- 70 Barnardos Australia (NSW)
- 71 Serr, Dr Klaus (VIC)
- 72 Mason, Mr George (NSW)

- 73 Bishops' Committee for Justice, Development, Ecology & Peace and Australian Catholic Social Justice Council (NSW)
- 74 Ms Tania Roberts (NSW)
- 75 Fairfield Community Aid (NSW)  
*Supplementary information*
- Copy of articles received at inspection 28.5.03
- 76 Unemployed Persons Advocacy (UNEMPA) (QLD)  
*Supplementary information*
- Evidence provided at hearing 4.8.03
  - Additional information following hearing , dated 27.8.03
- 77 Melbourne Citymission (VIC)
- 78 Sisters Inside (QLD)
- 79 Congues, Mr Ron (VIC)
- 80 Chandler, Mrs Val (SA)
- 81 Kobylinski, Ms Sherry (NSW)
- 82 Bennett, Mr K (NSW)
- 83 Wilson, Ms Pamela (NSW)
- 84 Blackwood, D J (NSW)
- 85 Hommel, Ms Christine (NSW)
- 86 Australian Federation of Aids Organisations (NSW)
- 87 Blind Citizens Australia (VIC)  
*Supplementary information*
- Comments on how an equipment subsidy scheme might operate provided following hearing 1.5.03, received 6.5.03
- 88 Coalition of Aboriginal Legal Services NSW (COALS) (NSW)
- 89 Anglicare Victoria (VIC)
- 90 MAXNetWork Pty Ltd (QLD)
- 91 Romeril, Ms Barbara (VIC)  
*Supplementary information*  
Provided at hearing 1.5.03
- Powerless in a Privatised State: The impact of privatisation on domestic electricity disconnections Victoria 1985 to 1997, Barbara Romeril, Financial and Consumer Rights Council, 1998
  - An Unfair Deal: A consumer audit of the electricity, gas and water industry reforms, Beverley Kliger, Financial and Consumer Rights Council, 1998
- 92 Anglicare Tasmania (TAS)
- 93 Lismore Women's & Children's Refuge Inc (NSW)

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- 94 Australian Council of Trade Unions (ACTU) (VIC)  
*Supplementary information*
- Minimum Wages Case 2003, ACTU Witness Statements, 5 February 2003 provided at hearing 30.4.03
  - Response to a question following the hearing 30.4.03, dated 1.5.03
- 95 Saunders, Professor Peter (NSW)
- 96 Salvation Army Newcastle Community Services Centre (NSW)
- 97 Ford, The Hon Jonathan MLC (WA)
- 98 Brotherhood of St Laurence (VIC)
- 99 Financial & Consumer Rights Council Victoria (VIC)
- 100 Sunshine Coast Regional Housing Council (QLD)
- 101 National Council of Single Mothers and Their Children (SA)
- 102 Shelter New South Wales (NSW)
- 103 University of South Australia Students Association (SA)
- 104 UnitingCare Centre for Social Justice (QLD)  
*Supplementary information*  
Provided at hearing 4.8.03
- ‘...in the too hard basket’: Responding to vulnerable children and teenagers, and their families in the western corridor region of south east Queensland, Final report of research partnership, 2003
  - Benefit comparisons from Lifeline Darling Downs and SW Qld
- 105 Energy Action Group (VIC)  
*Supplementary information*  
Provided at hearing 1.5.03
- From Universal Service to No Service? The Redlining of Vulnerable Electricity Customers in Victoria, Andrea Sharam, 2001
  - Paying Too Much! Redlining, Economic Discrimination and Essential Services, 2002
- 106 Office of the Commissioner for Children (TAS)
- 107 Community Housing and Employment Co-op (NSW)
- 108 Australian Education Union (VIC)  
*Supplementary information*  
Provided following the hearing 30.4.03
- Towards a National Plan for Preschool Education – A discussion paper by Michaela Kronemann, December 1998
  - Scrounging to meet the Shortfall – Fees, fundraising and sponsorship in Government school, Michael Howard and Jane Coulter, 1995

- 109 Child & Family Welfare Association of Australia Inc (NSW)  
*Supplementary information*  
Provided at hearing 26.5.03
- A Time to Invest in Australia's most disadvantaged children, young people, and their families, Policy Paper, August 2002
  - Opening presentation
- 110 Darebin City Council (VIC)
- 111 Casey North Community Information & Support Service Inc (VIC)
- 112 Australian Association of Social Workers (ACT)
- 113 Financial Counsellors' Association of NSW Inc (FCAN) (NSW)
- 114 Coles, Mrs Carmel (VIC)
- 115 Brent, Ms Yvonne (NSW)
- 116 Dawes, Mr Kevin (NSW)
- 117 Catholic Social Services Victoria (VIC)  
*Supplementary information*
- 'Surviving, not living': Disadvantage in Melbourne, August 2001 provided at hearing 30.4.03
- 118 Victorian Council of Social Service (VCOSS) (VIC)
- 119 Fairfield City Council (NSW)  
*Supplementary information*
- Profile of Fairfield City provided at hearing 28.5.03
- 120 Australian Liquor, Hospitality and Miscellaneous Workers Union (NSW)
- 121 Victorian Alcohol and Drug Association (VIC)
- 122 Clarke, Ms Margaret (NSW)
- 123 Casey Cardinia Legal Service Inc (VIC)
- 124 Welfare Rights Unit (VIC)
- 125 SANE Australia (VIC)
- 126 Australian Liquor, Hospitality and Miscellaneous Workers' Union (WA)  
*Supplementary information*
- Opening notes; contract cleaning industry case study; comparison cleaners award and AWA; decent work framework provided at hearing 28.7.03
  - Response to a question following hearing 28.7.03, dated 11.8.03
- 127 Student Association Inc – University of Tasmania (TAS)
- 128 National Association of Community Based Children's Services (VIC)
- 129 Queensland Government (QLD)
- 130 National Union of Students Inc (VIC)
- 131 Hunter Council of Social Services (NSW)  
*Supplementary information*
- Case studies provided at hearing 29.5.03

- 
- 132 Catholic Justice and Peace Commission of the Archdiocese of Brisbane (QLD)
- 133 UnitingCare and UnitingJustice Australia (ACT)
- Supplementary information*
- Provided at hearing 20.6.03
- ‘Because Children Matter: Making a case for addressing child poverty in Australia’, UnitingCare Burnside, June 2003 and copy of opening statement
- Provided following public hearing 20.6.03
- Article: *Asking the right questions of disadvantaged and homeless communities: the role of housing, patterns of illness and reporting behaviours in the measurement of health status*, Australian and New Zealand Journal of Public Health, 2001 Vol.25 No.4
  - Article: *Soup Kitchen Consumer Perspectives on the Quality and Frequency of Health Service Interactions*, Dr L Trevena et.al
- 134 Centre for Public Policy – The University of Melbourne (VIC)
- 135 Salvation Army Australia Eastern Territory (NSW)
- 136 UnitingCare-Sunshine Mission (VIC)
- 137 Coolum Youth & Community Association (QLD)
- 138 Knox City Council – Family Support and Community Education Service (VIC)
- Supplementary information*
- Impact of increased cost of services on local communities provided following the hearing 1.5.03, dated 11.6.03
- 139 Australian Federation of Deaf Societies (NSW)
- 140 Wood, Dr Beverley (VIC)
- 141 Media Entertainment & Arts Alliance (NSW)
- 142 Holroyd City Council (NSW)
- 143 NSW Council of Social Service (NCOSS) (NSW)
- 144 Tenants Union of Victoria (VIC)
- 145 Willis, Ms Judith (VIC)
- 146 Canterbury/Bankstown Migrant Resource Centre (NSW)
- 147 Southern Cross University - Student Representative Council (NSW)
- Supplementary information*
- Notes for opening statement provided at hearing 1.7.03
- 148 Catholic Welfare Australia (ACT)
- Supplementary information*
- Additional information following hearing, dated 10.10.03
- 149 Samaritans Foundation (NSW)
- 150 Transport Workers’ Union (VIC)
- 151 Bishop’s Commission for Justice, Development and Peace – Catholic Diocese of Armidale (NSW)
- 152 Melbourne University Student Union Inc (VIC)

- 153 Immigrant Women's Speakout Association NSW Inc (NSW)
- 154 Noosa Shire Council (QLD)
- 155 Angus, Ms Suzanne (WA)
- 156 Australian Manufacturing Workers' Union (NSW)  
*Supplementary information*
- Corrections to written submission and opening presentation re casualisation, 26.5.03
  - Response to a question following the hearing dated 27.5.03
- 157 Reliable Parents Inc (WA)
- 158 Disability Action Inc (SA)  
*Supplementary information*
- Response to a question following the hearing 29.4.03, dated 22.5.03
- 159 Un(der)employed People's Movement Against Poverty Inc (SA)
- 160 Queensland Council of Social Services Inc (QLD)
- 161 Cock, Mr Bruce (VIC)
- 162 Hayler, Louis Miles (WA)
- 163 Australian Council of Social Service (ACOSS) (NSW)  
*Supplementary information*
- Response to question following hearing 20.6.03, dated 1.7.03
- 164 Lone Fathers' Association Australia Inc (ACT)  
*Supplementary information*
- Correspondence concerning GST issues dated 18.3.02 and 5.12.02
- 165 Commonwealth Department of Family and Community Services (ACT)  
*Supplementary information*
- Response to questions following hearing 20.6.03, dated 13.8.03
- 166 Salvation Army – Australia Southern Territory (VIC)
- 167 Powell, Ms Vicki-Leigh (QLD)
- 168 Senior Citizens, Invalid & Old Age Pensioners – Morisset Branch (NSW)
- 169 Mission Australia (NSW)
- 170 Colley, Cr June (QLD)
- 171 Southern Peninsula Community Support & Information Centre (VIC)
- 172 The Smith Family (NSW)  
*Supplementary information*
- Opening presentation by Dr Rob Simons, provided at hearing 27.5.03
- 173 Trafford, Mr Geoff (NSW)
- 174 Higgins, Mr Paul (NSW)
- 175 Australian Nursing Federation (ACT)
- 176 TasCOSS (TAS)
- 177 Blackburne, Mr Burt (VIC)

- 178 National Tertiary Education Industry Union (VIC)  
 179 Salvation Army Noosa Shire Accommodation Service (QLD)  
 180 Tasmanian Poverty Coalition (TAS)  
 181 Men's Confraternity Incorporated (WA)  
 182 Consumers' Federation of Australia and CARE Financial Counselling Service (ACT)

*Supplementary information*

- Correspondence with ABA re Basic Bank Account, April 2003, and diagrammatic view of competition and its relationship to social policy provided at hearing 20.6.03

- 183 Western Australian Council of Social Service Inc (WACOSS) (WA)

*Supplementary information*

Provided at hearing 28.7.03

- 'Meeting Youth Housing Needs in Broome through Collaborative Practice', Consultants report on stage 1, Shelter WA, March 2003
- 'A Profile of Households Experiencing Homelessness in Western Australia', Shelter WA, June 2003
- Rebuilding the Australian Dream, National Shelter Policy Platform -2003, Background Information
- Supplementary submission, July 2003

Provided following public hearing 28.7.03

- Response to a question on notice, dated 1.8.03

- 184 COTA National Seniors Partnership (VIC)

- 185 Tasmanian Government (TAS)

- 186 Wiles, Dr David (WA)

- 187 South Australian Government (SA)

- 188 Physical Disability Council of Australia (QLD)

*Supplementary information*

Provided at hearing 4.8.03

- PDCA supplementary response, June 2003
- Towards a disability allowance: Offsetting the costs of disability, July 2001
- Additional cost of living due to a physical disability, questionnaire

- 189 Sharpe, Ms Janice (NSW)

- 190 Booth MHA, Mr Kim (TAS)

- 191 Newcastle City Council (NSW)

- 192 Youth Commitment – Northern Sunshine Coast (QLD)

- 193 L'Estrange, Mr Marcus (VIC)

- 194 Roberts MP, Ms Elisa (QLD)

- 195 Brohier, Mr Peter (VIC)

*Supplementary information*

- Additional information dated 26.7.03; 30.3.03; 6.8.03 3.9.03 and 14.10.03

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- 196 Darebin Community Legal Centre and Advocacy Program for Women in Prison (VIC)
- 197 St Vincent de Paul – Newcastle North Regional Council (NSW)
- 198 Sowton, Mr Adrian (VIC)
- 199 ACT Government (ACT)
- Supplementary information*
- Four reports on ‘Addressing disadvantage in the ACT’, 2003, and copy of overheads used in opening presentation provided at hearing 19.6.03
- 200 Eastlakes Christian Life Centre (NSW)
- 201 Centre of Full Employment and Equity (NSW)
- 202 Jenkins, Mr Desmond (NSW)
- 203 St Vincent de Paul Society – The Mitchelton Conference (QLD)
- 204 Brennan, Mr Kevin (QLD)
- 205 Pigram, Mr John (NSW)
- 206 Australia at Work (NSW)
- 207 UnionsWA (WA)
- 208 St Vincent de Paul Society – St Joseph’s Conference, Tweed Heads (NSW)
- 209 Mitchell, Ms Pamela (SA)
- 210 Young Mothers for Young Women (QLD)
- 211 Unemployed Workers Group (Townsville/Thuringowa) (QLD)
- 212 St Vincent de Paul – Riverwood Conference (NSW)
- 213 St Vincent de Paul – Raymond Terrace Conference (NSW)
- 214 St Vincent de Paul – Lower Hunter Region (NSW)
- 215 St Vincent de Paul Society – Macarthur Ozanam Centre (NSW)
- 216 Australian Consumers’ Association (NSW)
- 217 Lifeline – Northern Rivers (NSW)
- Supplementary information*
- Opening statements and copy of bank letter to increase credit limit provided at hearing 1.7.03
- 218 Smith, Mr Travers (NSW)
- 219 Freeman, Ms Pauline (QLD)
- 220 Marshall, Ms Coral (VIC)
- 221 St Vincent de Paul Society – Ballarat East Conference (VIC)
- 222 Lismore and District Financial Counselling Service (NSW)
- 223 Australian Pensioners and Superannuants Federation (APSF) (NSW)
- 224 Greenacres Association (NSW)
- 225 Aboriginal Cultural Centre (NSW)
- 226 Anglicare (NSW)
- 227 St Vincent de Paul Society – Central Illawarra (NSW)



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- 228 Organ MP, Mr Michael (NSW)  
229 Hall, Mr Timothy (NSW)  
230 Illawarra Dental Health Action Group (NSW)  
231 Centacare Catholic Diocese of Ballarat (VIC)  
232 St Vincent de Paul – St Mary’s Conference (QLD)  
233 Lismore Integrated Community Services Program (ICSP) (NSW)  
234 Illawarra Home Link Association (NSW)  
235 Bilboe, Mr John (NSW)  
236 Northern Rivers Social Development Council (NSW)  
237 Hillenbrand, Mrs Doris (NSW)  
238 Dowling, Ms Gwen (NT)  
239 Roberts, Mr John (NSW)  
240 Humanist Society of Victoria Inc (VIC)  
241 Women’s Electoral Lobby (WA) (WA)  
242 Kirkwood, Ms Deborah (NSW)  
243 Green, Mr Clyde (SA)  
244 Aboriginal and Torres Strait Islander Commission (ATSIC) (ACT)  
245 Miller, Mr Ian (WA)  
246 Carter, Ms Jacqui (WA)  
247 Northern Territory Council of Social Service (NTCOSS) (NT)  
248 Doctors Reform Society Australia (NSW)  
249 Johnston, Mr Lawrence (QLD)  
250 Coleman, Mr Patrick (QLD)  
251 Berkeley Development Association Inc (NSW)  
252 Edmunds, Ms Maree (QLD)  
253 Australian Liquor, Hospitality & Miscellaneous Workers Union – Townsville  
Regional Office (QLD)  
254 Cummins, Mr R K (NSW)  
255 Centre for Aboriginal Economic Policy Research (CAEPR) (ACT)  
256 People with Disability (NSW)  
257 O’Brien, Ms Anne (VIC)  
258 Benzley, Mr Alan (VIC)  
259 Slater, Mr Gary (NSW)

## **Additional Information**

### **Centacare NT**

- Opening presentation, 29.7.03

### **Combat Poverty Agency, Ireland**

- ‘Building an Inclusive Society’, Review of the National Anti Poverty Strategy, February 2002

### **Committee inspections - Notes and information from inspections at Merrylands (28 May 2003) and Newcastle (29 May 2003)**

#### **Curran, Ms Liz**

- Occasional Paper Number 9, October 2000 – *Growing the Community Together? Why and How?*

### **Department of Immigration and Multicultural and Indigenous Affairs**

- Entitlements for Protection Visa Holders, received 17.10.03

### **Department of Education Science and Training**

- The National Goals for Schooling, received 24.2.04

### **Gaggin, Ms Patricia**

- Copy of Social Security Appeals Tribunal decision, dated 6.5.03

### **Grampians Housing Network**

(Provided at public hearing in Ballarat on 30 June 2003)

- Some Housing Issues, an information paper dated June 2003

### **Hennelley, Mr Richard**

(Provided at public hearing in Newcastle on 29 May 2003)

- Socio-economic impact of blue green algae bloom

### **Mission Australia**

- Pathways to Prevention Project, presentation at Brisbane hearing on 4 August 2003

### **Office of Senator Claire Moore**

- Queensland response to comments on ‘Life Education Program’ made at Brisbane hearing on 4 August

### **PINARC Support Services**

- Copy of client’s letter concerning financial hardship, dated 10.7.03

### **St Vincent de Paul Society – Lismore**

(Provided at public hearing in Lismore on 1 July 2003)

- Statements by June Crawford and Pat Kelly

### **St Vincent de Paul Society – Nowra**

(Provided at public hearing in Wollongong on 2 July 2003)

- Copy of Mental Health Service Partnership Project Report, May 2003

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**St Vincent de Paul – Parramatta and Wollongong Dioceses**

(Provided at public hearing in Merrylands, Sydney on 28 May 2003)

- Social disadvantage in Western and South-Western Sydney, Tony Vinson, June 1999
- The Great Divide Poverty and Wealth in Western and Outer South-Western Sydney, June 1999
- Statistical information on assistance provided

**St Vincent de Paul – Townsville Regional Council**

- Statistical info

**St Vincent de Paul, WA**

- Copy of article ‘Worlds apart: Why we don’t care about the poor’, Weekendextra, 10 May 2003

**Tasmanians With Disabilities**

(Provided at public hearing in Hobart on 2 May 2003)

- Towards a disability allowance: Offsetting the costs of disability – An analysis, Physical Disability Council of Australia, June 2001

**Triple J - Transcript of program on 18.09.03 re Senate inquiry into poverty and financial hardship****United Way Ballarat Community Fund**

- 2003-2005 Community Needs Analysis Document

**Warrawong Community Project**

(Provided at public hearing in Wollongong on 2 July 2003)

- ‘Disillusionment – (but there is always a tomorrow)’

**YWCA Darwin**

- YWCA of Darwin Strategic Plan 2003-2008



## APPENDIX 2

### WITNESSES WHO APPEARED BEFORE THE COMMITTEE AT PUBLIC HEARINGS

*Tuesday, 29 April 2003*

*'The Hub' Community Centre, Aberfoyle Park, Adelaide*

**Liquor, Hospitality & Miscellaneous Workers Union (South Australia)**

Mr Mark Butler, Secretary

Mrs Lynette Lapthorne, Union Delegate

Ms Lisa McScheffrey, Union Delegate

Mr Russell Spencer, Union Delegate

**Disability Action Inc**

Mr Phillip Beddall, Chairperson

**Un(der) Employed People's Movement Against Poverty Inc**

Ms Monika Baker, Secretary

**National Council of Single Mothers and their Children**

Dr Elspeth McInnes, Convenor

Ms Yvonne Parry, Chief Executive Officer

**South Australian Council of Social Service**

Ms Pam Simmonds, Executive Director

Mr Ian Yates, Deputy Chair

**Shelter South Australia**

Ms Janet Adkins, Research and Policy Officer

**Lutheran Community Care**

Ms Colleen Fitzpatrick, Director

*Wednesday, 30 April 2003*

*Melbourne Exhibition and Convention Centre, Melbourne*

*The following appeared as part of a roundtable discussion*

**Victorian Council of Social Service**

Ms Cath Smith, Chief Executive Officer

Ms Caroline Atkins, Policy Analyst

**Anglicare Victoria**

Dr Ray Cleary, Chief Executive Officer

Dr Margaret Kertesz, Research & Development Officer

**Brotherhood of St Laurence**

Dr Stephen Ziguras, A/g General Manager, Social Action and Research

Mr David Perkins, Research and Policy Project Manager

**Catholic Social Services Victoria**

Father Joe Caddy, Director, Policy & Research

Ms Anne Tuohey, Senior Policy Adviser

**Melbourne Citymission**

Dr Mary-Ann Robinson, Social Policy Officer

Ms Sally James, General Manager Community Development

Ms Michele Lewis, General Manager Aged Care

**The Salvation Army – Australia Southern Territory**

Major Colin Berris

**Jesuit Social Services**

Dr Renata Kokanovic, Senior Research Officer

Ms Jeanette Pope, Research Fellow

**St Vincent de Paul**

Mr Syd Tutton, Victorian President

Mr Gavin Dufty, Policy Research Officer

**Australian Education Union**

Mr Roy Martin

**Centre for Public Policy**

Professor Brian Howe, Professorial Associate

Ms Cathy Lowy, Senior Fellow

**Dr Philip Mendes**, Senior Lecturer, Department of Social Work, Monash University

*Appearing as individual organisations*

**Australian Council of Trade Unions (ACTU)**

Ms Sharan Burrow, President

Mr Andrew Watson, Legal and Research Officer

Ms Marion Gaynor, Research Officer

**Shop Distributive and Allied Employees' Association**

Mr Ian Blandthorn, National Assistant Secretary

**Transport Workers' Union)**

Mr Linton Duffin, Federal Legal Officer

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***Thursday, 1 May 2003***

***Melbourne Exhibition and Convention Centre, Melbourne***

**National Union of Students**

Mr Daniel Kyriacou, President

Ms Sarah McDowell, National Welfare Officer

**Melbourne University Student Union**

Mr Scott Crawford, President

Mr Clive Pattison, Manager, Council secretariat

**National Tertiary Education Industry Union**

Dr Carolyn Allport

**Darebin City Council**

Mr John Smith, Policy and Research Officer

**Knox City Council**

Ms Maryanne Day, Coordinator Family Support and Community Education

Ms Bianca Ades, Welfare Officer

**Chelsea Neighbourhood House Inc**

Ms Lorna Stevenson, Manager

Mr Craig Roberts, Secretary Committee of Management

**Laverton Community Centre & Neighbourhood House Inc**

Mr Michael Pernar, General Manager

**Blind Citizens Australia**

Ms Collette O'Neill, National Policy Director

Ms Maryanne Diamond, Executive Officer

**Tenants Union of Victoria**

Mr Mark O'Brien, Chief Executive Officer

Ms Madonna Boman, Research Officer

**Victorian Alcohol and Drug Association**

Mr Neos Zavrou, President

Ms Carol Bennett, Executive Officer

**Energy Action Group**

Ms Andrea Sharam, President

**Ms Barbara Romeril**

***Friday, 2 May 2003***

***Glenorchy Civic Centre, Glenorchy, Hobart***

**TasCOSS**

Mr David Owen, Policy Officer

**Anglicare Tasmania**

Ms Jo Flanagan, Manager

**Tasmanian Catholic Justice and Peace Commission**

Ms Maureen Holloway, Chairperson

**Tasmanian Poverty Coalition**

Ms Linley Grant

**Salvation Army**

Ms Ronda McIntyre, Director Child and Family Services

**Tasmanians With Disabilities**

Ms Robin Wilkinson

Ms Jan Miller

Ms Lorraine Heron, Coordinator

**Student Association – University of Tasmania**

Mr Wei-siong Liang, Treasurer

**Catholic Women's League**

Mrs Patricia Gartlan, State President

Mrs Betty Roberts OAM, Member

Dr Janette Gartlan, Representative

**Office of the Commissioner for Children**

Ms Patmalar Ambikapathy, Commissioner

Mrs Karen Buczynski

**Mr Kim Booth**, Member, House of Assembly, Tasmanian Greens

***Monday, 26 May 2003***

***Masonic Centre, Cnr Castlereagh and Goulburn Streets, Sydney***

**Combined Pensioners and Superannuants Association of NSW**

Mr Mario Mifsud, State President

Mr David Skidmore, Policy & Information Officer

**Immigrant Women's Speakout Association NSW Inc**

Ms Jane Brock, Executive Officer



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**Australian Manufacturing Workers' Union**

Ms Sally Taylor, Co-ordinator, National Research Centre

Mr Adam Leeman, Member

**Australian Liquor, Hospitality and Miscellaneous Workers Union**

Mr Jeff Lawrence, National Secretary

Mr Max Boyd, Delegate

Ms Dale Carter, Delegate

Ms Florencia Parajo, Delegate

**Media Entertainment and Arts Alliance**

Ms Lynn Gailey, Federal Policy Officer

Mr Simon Whipp, Assistant Federal Secretary

**Mission Australia**

Dr Marie Leech, General Manager, Community Services

Ms Megan Fahey, Manager, Research and Social Policy

Mr Jim Williamson, Senior Policy Officer, Y-Research Team

**Child and Family Welfare Association of Australia**

Ms Carole Marsden

Mr Nigel Spence, Board Member

**Council of Social Service of New South Wales**

Mr Gary Moore, Director

**St Vincent de Paul Society**

Mr John Finneran, President, Sydney Archdiocesan Council

Miss Cassandra Ashton, Coordinator, Family & Welfare Centre

Mr Ian Brown, Conference President

Ms Lorna Carter, Welfare Worker

Ms Kevin Cavanagh, President, Waterloo Conference

Mr Peter Chircop, Coordinator/Manager, Rendu Youth Services

Mrs Patricia Crawford, Vice President

Ms Christine Crimmins, President, Management committee

Ms Patricia McDonald, President, North Leichhardt Conference

Ms Carolyn McMahan, Family Assistance/Liaison Officer, South Sydney Regional Council

Mr Owen Rogers, Executive Officer, NSW/ACT State Council

Mr Leon Toohey, Vice President, Riverwood Conference

***Tuesday, 27 May 2003***

***Masonic Centre, Cnr Castlereagh and Goulburn Streets, Sydney***

**The Smith Family**

Mr Martin Laverty, Government Relations Manager

Dr Rob Simons, National Manager, Strategic Research and Social Policy

**Australian Federation of Deaf Societies**

Mr Joe Sabolcec, Executive Officer

Mr Robert Adam, Coordinator, Community Relations and Development (accompanied by Mr Andy Carmichael Auslan interpreter)

**Financial Counsellors' Association of NSW**

Ms Elizabeth Terry, President

**Women's Action Alliance**

Mrs Jane Beard, Joint National President

**Social Policy Research Centre**

Professor Peter Gordon Saunders, Director

Ms Laura Adelman, Research Associate

Mr Peter Siminski, Research Officer

**Centre for Independent Studies**

Professor Peter Robert Saunders, Director of Social Policy Research

Dr Kayoko Tsumori, Policy Analyst

**Shelter NSW**

Dr M. Hazel Blunden, Policy Officer

Mrs Mary Perkins, Executive Officer

**Country Women's Association of NSW**

Mrs Margaret Brown, Chairman, Study and Investigation Committee

**Australian Federation of AIDS Organisations**

Mr David Edler, Policy Officer

Mr Mark Bebbington, Policy & International Manager

Mr Robert Lake, Convenor, Care and Support Portfolio, National Association of People Living with HIV/AIDS

***Wednesday, 28 May 2003***

***Conference Room, Holroyd City Council, Merrylands, Sydney***

**Holroyd City Council**

Ms Diane Jogia, Manager, Community Services

Mr Peter Prants, Community Projects Officer

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Ms Debbie Killian, Director, Library and Community Services

**Fairfield City Council**

Mr Nickola Lalich, Mayor

Ms Sharon Fingland, Program Manager, Accessible City

**Fairfield Migrant Resource Centre**

Mr Nigel Hoffmann, NESB Youth Policy Officer

Ms Ulrike Bartels, Coordinator

Mr John Owen, Community Project Officer

**Canterbury/Bankstown Migrant Resource Centre**

Ms Maggie Moa, Co-ordinator

Ms Natasha Bobic, Community Project Officer

**Holroyd Community Aid and Information Service**

Ms Janice Sharpe, Welfare coordinator

**Public forum**

Mr A Burji

Mr Brian Cooper

Ms Joanne Karcz

Mr Bob Laughton, Australia at Work

**St Vincent de Paul**

Ms Margaret Tipper, Executive officer, Parramatta diocese

Ms Jenny Craig, Macarthur Ozanam Centre

Mr Vince Dobson, President, Parramatta diocese

Mr P Harrigan, Treasurer, Parramatta diocese

Mr Paul Power, Wollongong diocese

Mr John Stone, Rutherglen area

*Thursday, 29 May 2003*

*Newcastle City Council, King Street, Newcastle*

**Coalition of Aboriginal Legal Services NSW**

Mr John Boersig, Coordinator

**Newcastle City Council**

Ms Therese Postma, Social Planner and Member, Social Planning Advisory Committee

Mr Terence Mahony, Community member, Social Planning Advisory Committee

**Centre of Full Employment and Equity, University of Newcastle**

Professor William Mitchell, Director

Ms Sally Cowling, Research Fellow

**Hunter Council of Social Services**

Ms Asha Ramzan, Regional Development Officer

Miss Julia Woods, Committee Member

**Samaritans Foundation**

Mr Cec Shevels, Chief Executive Officer

**Salvation Army**

Mr Howard Mole, Manager, Newcastle Community Services Centre

**St Vincent de Paul Society**

Mr Neil McGoldrick, President, Newcastle North Regional Council

Mr John Hakes, President, Lower Hunter Region

Mrs Pamela French, Secretary and Case Worker, East Maitland Region

Mrs Maureen Frize, President, St Johns Conference

Mr John Osborne, President, Raymond Terrace Conference

Mr Christopher Cox, Recipient

Mrs Tracey Cox, Recipient

Mrs Helen McEnerney, Budget Counsellor

**Australian Liquor, Hospitality and Miscellaneous Workers Union**

Ms Carmel Cook, Regional Secretary

Ms Sandra Cant, Delegate

Ms Diane Larsen, Delegate

**Mr Richard Hennelley**, Research officer, The Fishing Party

**Ms Heather Booker**

*Thursday, 19 June 2003*

*Parliament House, Canberra*

**National Council of the St Vincent de Paul Society**

Mr John Meahan, President, National Council

Mr Terry McCarthy, President, National Social Justice Committee

Mr John Wicks, Vice President, National Social Justice Committee

Dr John Falzon, National Research and Advocacy Officer

**COTA National Seniors Partnership**

Mr David Deans, Joint Chief Executive and Director Government Relations

Ms Patricia Reeve, Director National Policy Secretariat

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**Lone Fathers Association of Australia**

Mr Barry Williams, President

Mr Jim Carter, Policy Adviser

**ACT Government**

Mr Peter Brady, Director, ACT Office for Ageing

Ms Helen Hill, Manager, Policy Group, Chief Minister's Department

**The Australia Institute**

Dr Clive Hamilton, Executive Director

Mr Richard Denniss, Senior Research Fellow

*Friday, 20 June 2003*

*Parliament House, Canberra*

**UnitingCare Australia**

Ms Lin Hatfield Dodds, National Director, UnitingCare Australia

Reverend Elenie Poulos, National Director, UnitingJustice Australia

Ms Jane Woodruff, Chief Executive Officer, UnitingCare Burnside, NSW

Reverend Bill Crews, Ashfield Mission, NSW

Mr Pete Lyon, UnitingCare Australia

Dr Steve Hatfield Dodds, Senior Policy Economist, UnitingCare Australia

**Australian Council of Social Service (ACOSS)**

Mr Andrew McCallum, President

Ms Megan Mitchell, Director

Mr Peter Davidson, Senior Policy Officer

**Department of Family and Community Services**

Mr Wayne Jackson, Deputy Secretary

Ms Kerry Flanagan, Executive Director, Strategic and Ageing Cluster

Ms Peta Winzar, Executive Director, Economic and Social Participation Cluster

Mr Jeremy Nott, Assistant Secretary, Strategic Policy and Knowledge Branch

Mr Barry Sandison, Assistant Secretary, Participation Strategies Branch

Mr Rob Bray, Director, Spatial and Distributional Analysis Section, Strategic Policy and Knowledge Branch

**Centrelink**

Mr Andrew Whitecross, Director, Incentives Policy Section, Working Age Taskforce

Mr Graham Bashford, Deputy Chief Executive Officer, Business

Ms Marcia Williams, National Manager, Community Sector Relationships

**Catholic Welfare Australia**

Father Joe Caddy, Acting Chair, Catholic Welfare Australia Board

Mr Brendan Long, Team Leader, Social Policy Research Unit

Ms Margaret Deerain, Senior Policy Officer

**Carers Australia**

Mrs Louise Gilmore, President

Ms Julie Austin, Policy Adviser

**Australian Federation of Homelessness Organisations**

Ms Ara Creswell, Executive Officer

Mr Thomas Muller, Policy and Networking Officer

**Consumers Federation of Australia and Care Financial Counselling Service  
Australian Consumers' Association**

Mr David Tennant, Chair, CFA, and Director, CFCS and Consumer Law Centre of the ACT

Ms Katherine Wolthuizen, Financial Policy Officer, Australian Consumers Association

**Australian Association of Social Workers**

Mr Ian Rentsch, Chief Executive Officer

Ms Denise Scott, National Social Policy Officer

*Monday, 30 June 2003*

*Ballarat Town Hall, Ballarat*

**The Salvation Army, Western Victoria Division**

Major Brad Jenkins, Divisional Social Program Secretary

Major Heather Jenkins, Manager, Family Support Service

Major Rhonda Elkington, Manager, Macarthur Street Centre

**PINARC Support Services**

Ms Jenni Sewell, CEO

**McCallum Disability Services**

Mrs Erma Fidler, Member, Board of Governors

Mr Geoffrey Russell, Manager, Accommodation Services and Deputy Chief Executive Officer

**Mr Peter Brohier**

**Ballarat Child and Family Services**

Ms Fiona White, Manager (BCFS) and representative Grampians Housing Network

Ms Lorraine Clarke, Financial Counsellor

**Public Forum:**

**Ms Karen Henderson**

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**Ms Kerry Whiting**, Chief Executive Officer, United Way Ballarat Community Fund

**Centacare, Catholic Diocese of Ballarat**

Mr Peter Clout, Family Services Manager

Ms Trish Nolan, Acting Director

**St Vincent de Paul Society**

Mr Brian Lenton, President, Bendigo Regional Council

Mr Doug Knez, President, Ballarat East Conference

**Mr Ken Warren**

*Tuesday, 1 July 2003*

*Lismore and District Workers Club, Lismore*

**Lismore and District Financial Counselling Service**

Mr Steve Snellgrove, Senior Financial Counsellor

**Lifeline Northern Rivers**

Mr Terry Harvey, Business Manager

Mrs Janet Gates, Director, Counselling

**St Vincent de Paul Society**

Mr John Denehy, President, Lismore Diocese

Ms June Crawford, Adviser for homeless issues, family support

Mrs Gwen King, Diocesan Centres Advisor

Mr John Kelly, Diocesan Vice-President

Mr Len Moore, President, Ballina Conference

Mr Norm Moore, President, Tweed Byron Regional Council

Mrs Shirley McMullen, Orara Regional President

Mr Mike Sutton, Diocesan Advisor, Budget Counsellor

**Lismore Women's & Children's Refuge**

Ms Sharyn Roche, General Support Worker

**Ms Margaret Clarke**

**Australian Liquor Hospitality and Miscellaneous Workers Union**

Mr Brad O'Reilly, Delegate

Mr Steve Klaassen, Organiser

**Southern Cross University Student Representative Council**

Mr Nicholas Fredman, Student Rights Advocate

*Wednesday, 2 July 2003*

*Wollongong Town Hall, Wollongong*

**Warrawong Community Development Project**

Ms Maxyne Graham, Coordinator/Community Worker

**Combined Pensioners & Superannuants Association NSW**

Mr Bill Whiley, Secretary

**Barnardos South Coast**

Ms Vivienne Cunningham-Smith, Senior Manager

**Illawarra Dental Health Action Group**

Mr Stephan Taylor, Publicity Officer

**Anglicare Illawarra**

Mr Michael Mittwolen, Regional Manager

**Greenacres Association**

Mr Neil Preston, Chief Executive Officer

**Illawarra Legal Centre**

Ms Julia Priest, Welfare Rights Advocate

**Ms Patricia Gaggin**

**Liquor Hospitality & Miscellaneous Workers Union**

Mr Christopher Goodman, Delegate

Mr Paul Travers, Regional Secretary

**St Vincent de Paul Society**

Mr Brian Brennan, Regional President, Central Illawarra

Mr Brian Murnane, President, Wollongong Diocesan Council

Mr Paul Power, Manager, Vincentian Social Action Group

Mr Scott Bismire, Clinical Nurse Specialist, Illawarra Area Health Service

Ms Lesley Robson, Special Works Coordinator, Homeless Persons Services,  
Wollongong Diocese

Mr Stephen Sweeney, Manager, John Purcell House & Manager,

Jim Da Silva Farm, Nowra

**Mr Michael Organ, MHR**, Federal Member for Cunningham



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**Monday, 28 July 2003**

**Grand Chancellor Hotel, Wellington Street, Perth**

**Ms Helen Johnston**

Director, Combat Poverty Agency, Ireland

**St Vincent de Paul, WA**

Mr Brian Bull, State President

Mrs Merle Miller, State Vice-President

Ms Louise Durack, volunteer

Mr Baden Pratt

Dr Robert Serich, Chairman, Mental Health Advisory Committee, Vincentcare and Co-director Clinical Services, Graylands Hospital

Ms Natalie Read, Welfare Officer, Vincentcare

**Mr Rod Mapstone**, Manager, Passages Resource Centre

**Ms Cheryl Vernon**, Manager, Youth Legal Services of Western Australia

**Underemployed People's Union WA Inc**

Ms Mary Jenkins, Secretary

Dr Geoff Pain, Committee Member

**People with Disabilities**

Ms Kaye Regan, Executive Officer

Ms Kerry Allan

Ms Jane Broun, Carer

Mr Ian Miller

Ms Kimberly Parker

Mr Dennis Sheedy, Consumer

**WACOSS**

Ms Lisa Baker, Executive Director, WACOSS

Ms Lanie Chopping, Manager, Social Policy Unit, WACOSS

Mr Karel Eringa, Development Manager, Shelter WA

Mr Paul Pendergast, President, National Shelter and Policy Manager Shelter WA

Ms Kate Beaumont, Executive Officer, Welfare Rights and Advocacy Service

**Unions WA**

Ms Clare Ozich, Award Updating Officer

**Australian Liquor, Hospitality and Miscellaneous Workers Union (WA Branch)**

Ms Helen Creed, National President

Ms Norah Brown, Member

Mr Yunus Kahn, Member

Ms Wanda Mazurkiewicz, Member

Ms Angela Miller

**Reliable Parents Inc**

Mr Anthony Borger, Chairman

**St Patrick's Community Support Centre**

Mr Tony Grealy

**The Hon Jonathan Ford, MLC**

**WEL Perth**

Miss Hope Alexander

Ms Janet Lake, Secretary

**Ms Jacqui Carter**

*Tuesday, 29 July 2003*

*Litchfield Room, Parliament House, Darwin*

**Northern Territory Council of Social Service**

Ms Jane Alley, Executive Officer

Mr Graham Opie, Director

**Anglicare NT**

Ms Liz Forsyth, Chief Executive Officer

**Salvation Army NT**

Major Kelvin Merrett, Regional Officer

**Catholic Welfare Australia – Centacare NT**

Ms Jayne Lloyd, Executive Director

Ms Angela Rondo, Programs Manager

**St Vincent de Paul**

Mr Mick Fox, General Secretary

Mrs Elizabeth Madden, Manager, Darwin Centre of Charity

Mr Bill McMahon, former NT President and Chairperson Ozanam House

**Northern Territory Shelter**

Ms Alison Edwards, Executive Officer

**Aboriginal Development Foundation**

Mr Bernard Valadian, Executive Director

**Coalition of Low Income Earners**

Ms Anne Wolfe, Coordinator

**YMCA Darwin**

Mr Bob Ingram, Executive Officer

Mr Duncan Beggs, Board Director

**YWCA Darwin**

Ms Barbara Henry, Executive Director

*Monday, 4 August 2003*

*St Mary's Church, Merivale Street, South Brisbane*

**Australian Liquor, Hospitality and Miscellaneous Workers Union, Qld Branch**

Mr Ron Monaghan, State Secretary

Mr Dion Conlon, Member

Mrs Jennifer Dewar, Member

Mrs Vivian Saunders, Member

**Physical Disability Council of Australia**

Ms Sue Egan, Chief Executive Officer

**Australian National Organisation of the Unemployed**

Mr Kevin Brennan, Director

**Unemployed Persons Advocacy**

Mr Ron Baker, President

**St Vincent de Paul Society**

Mr Tom Kelly, President, Social Justice Committee Qld

Mrs Robyn Hoare, Volunteer Fundraiser, Life Education Australia

Beverley (Private capacity)

Julie (Private capacity)

**UnitingCare Centre for Social Justice**

Dr Noel Preston, Director

Mr Derek Tuffield, General Manager, Lifeline Community Care, Darling Downs

Ms Mary McLean, Financial Counsellor, Lifeline Community Care, Darling Downs

Ms Julie Aganoff, Manager, Northern Counselling Services, Lifeline Community Care

**Queensland Council of Social Services**

Ms Shirley Watters, Executive Director

Mr Adrian Pisarski, Queensland Shelter

Miss Katherine Bennett, Constituent

Mr Matthew Brennan, Constituent

Miss Catherine Gammage, Constituent

Ms Susan Timbs, Constituent

Ms Beth Wilson-Szoredi, Constituent

**Catholic Justice and Peace Commission of the Archdiocese of Brisbane**

Mr Peter Arndt, Executive Officer

**Mission Australia**

Mr Lincoln Hopper, Operations Manager, Community Initiatives

Ms Cherie Lamb, Project Manager, Pathways to Prevention Project

Dr Kate Freiberg, Research Fellow

Ms Angela Carr, Research Assistant

**Doctors Reform Society**

Dr Peter Davoren, President, Qld Branch

Dr Theo van Lieshout, National Committee Member

Dr Tracy Schrader, National Committee Member

*Wednesday, 6 August 2003*

*Townsville City Council, Townsville*

**Aboriginal and Torres Strait Islander Commission**

Mr Geoff Clark, Chairman

**Lifeline North Queensland**

Ms Kay Dodd, Manager, Community Services

Ms Brenda-Anne Parfitt, General Manager

**North Queensland Branch of Queensland Shelter**

Mr Kenneth Graham

**Unemployed Workers Group (Townsville/Thuringowa)**

Mr Frank Costanzo, Convenor

Ms Margaret Crowther, Member

Ms Mary Olsen, Member

**St Vincent de Paul**

Mr Warren Northey, Townsville Regional Council President

Mr Mike Johnson, Townsville Regional Council Vice President

Mr Jack Gleeson, Conference Member

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***INSPECTIONS******Wednesday, 28 May 2003******Merrylands, Sydney***

The Committee inspected the following community centres accompanied by Mr Peter Prants, Holroyd City Council

**Barnardos Childrens/FamilyCentre, Kerr Parade, Auburn****Fairfield Community Aid, Barbara Street, Fairfield*****Thursday, 29 May 2003******Newcastle, NSW***

The Committee inspected the following community centres accompanied by Ms Therese Postma, Newcastle City Council

**Newcastle City Mission and McKenzie Centre****Newcastle Family Support Services****Ark Youth Crisis and Training Centre, The Salvation Army*****Tuesday, 5 August 2003******Palm Island, North Queensland***

The Committee travelled to and undertook informal discussions and inspections on Palm Island with the following:

**Community Council members and members of the business community****St Michaels School****Bwngolmar Community School****Kootana Women's Centre****Ferdie's Haven Rehabilitation Centre****Palm Island Community Justice Group**



## APPENDIX 3

### BIBLIOGRAPHY

The following reports, books and articles have been accessed by the Committee during this inquiry. The list does not purport to be a comprehensive bibliography on poverty. A number of submissions, especially from the major agencies, also included bibliographies. A list of useful websites is provided at the end of the Appendix.

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## WEBSITES

Many of the research and policy papers referred to above and other information may be accessed from the following websites

**Anglicare** [www.anglicare.org.au](http://www.anglicare.org.au)

**Australian Council of Social Service (ACOSS)** [www.acoss.org.au](http://www.acoss.org.au)

**Australian Federation of Homelessness Organisations (AFHO)** [www.afho.org.au](http://www.afho.org.au)

**Australian Institute of Family Studies (AIFS)** [www.aifs.org.au](http://www.aifs.org.au)

**Brotherhood of St Laurence** [www.bsl.org.au](http://www.bsl.org.au)

**Jesuit Social Services** [www.jss.org.au](http://www.jss.org.au)

**Mission Australia** [www.mission.com.au](http://www.mission.com.au)

**National Centre for Social and Economic Modelling (NATSEM)**  
[www.natsem.canberra.edu.au](http://www.natsem.canberra.edu.au)

**National Rural Health Alliance** [www.ruralhealth.org.au/nrhpublic/](http://www.ruralhealth.org.au/nrhpublic/)

**The Smith Family** [www.smithfamily.com.au](http://www.smithfamily.com.au)

**Social Policy Research Centre (SPRC)** [www.sprc.unsw.edu.au](http://www.sprc.unsw.edu.au)

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**UnitingCare Australia** [www.unitingcare.org.au](http://www.unitingcare.org.au)

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**Institute for Research on Poverty (USA)** [www.ssc.wisc.edu/irp](http://www.ssc.wisc.edu/irp)

**Monitoring Poverty and Social Exclusion (UK)** [www.poverty.org.uk](http://www.poverty.org.uk)