



Submission to the Inquiry into

**Employment and Workplace Relations
Legislation Amendment (Welfare to Work
and other measures) Bill 2005**

and

**Family and Community Services
Legislation Amendment (Welfare to
Work) Bill 2005**

**St Vincent de Paul Society
National Council**

November 2005

1 INTRODUCTION

The St Vincent de Paul Society is driven by the scriptural imperative to seek justice for those who are pushed to the margins of society.

Our 44,000 members assist over one and half million Australians each year. We visit people in their homes, gaining a first-hand view of their living conditions and the stresses that have been placed on their lives by the social and economic changes that have occurred in the last 20 years.

We are gravely concerned by the growth of inequality in Australia. For the families we visit this is not simply a matter of household income. It is also a matter of their access to essential services such as affordable housing close to employment opportunities, transport, education and training, healthcare, and childcare.

Our members come face to face with the cumulative effects of disadvantage and inequality of opportunity in the people we assist each day.

The Welfare Reform package, even with the changes that have been recently announced, will do nothing to address the causes of poverty and inequality in Australia.

It is clearly the case that, as evidenced by recently released NATSEM modelling, the people who will no longer be eligible for parenting payment and disability support payment will have a lower disposable household income. Whether this happens to a parent when their child turns 6 or 8 makes little difference to the longer-term effects of entrenching disadvantage for both the parent and their children.

The 2005 welfare reform package lacks both fairness and vision. Instead of seriously investing in people who have already been locked out of the prosperity enjoyed by other Australians, it shifts these people from one benefit to another, lower-paying benefit and subjects them to the threat of having their payments suspended.

If the focus of social policy-makers continues to be on the issue of getting working-age people off welfare and into work, without looking at the problems that cause their exclusion from participation, the outcomes will surely be similar to those in the United States. That country saw brief improvements in the living standards of some households that were subjected to this regime, followed thereafter by heightened and sustained levels of poverty. Sole parents were faced with the insecurity of the lower end of the labour market and were forced to look for sources of income that combined legitimate paid work, illicit paid work, dependence on charities and support from extended family and friendship networks in order to survive.

The present limited approach to welfare reform is neither respectful of the dignity of sole parents and those with disabilities, nor likely to result in their long-term, meaningful participation in society and the economy.

2 THE MISSING LINKS

A critical review of the framework of the current welfare reform process reveals the following key elements, crucial to an understanding of the poverty that the welfare system is meant to address:

- a) The reform process is predicated on the basic position that a system of transfer payments to those who are of workforce age (16-64 years) is a negative reality for business, community, government and the actual recipients.
- b) The alternative paradigm is based on the assumption that current market forces give ample opportunity for all people to share in the prosperity, if only they are steered in the right direction.
- c) No analysis is made of the deficits of the labour market when it comes to providing access points to those who have been marginalized from participation.
- d) No analysis is made of the deficits in the public provision of services that enable people to meet the needs of the labour market in a given region. The inadequacies in the provision of education and training (from early childhood to tertiary levels) are reflected in low-skill levels at a time when there is a reported surplus of unskilled labour.
- e) No analysis is made of the deficits in the public provision of services that enable people, even when they have the requisite skill-sets, to participate in the labour market in a given region. The inadequacies in the provision of affordable housing within reasonable distance of available jobs, transport, childcare, healthcare and disability services are reflected in the obstacles to participation experienced by many of those who are currently excluded from the labour market.
- f) The proposed system assumes that the move from welfare to work will automatically benefit the individual. No attention is paid to the fact that an increasingly casualized workforce means increased vulnerability to job insecurity, low wages and poor working conditions. This situation will worsen in the wake of the proposed Industrial Relations legislation.
- g) Current levels of transfer payments are, in many categories, inadequate. No attention is given to improving these foundations before renovating the structure.
- h) The level of surveillance and control exercised over the lives of those who are vulnerable is demeaning and disempowering.

3. THE HARD FACTS

Single parents who remain jobless will receive \$29 a week less than the pension. Those who study full time will receive \$63 a week less. If they get a job for 15 hours a week at the minimum wage they will have a weekly disposable income that will be \$96 a week less than the pension.

The reality is that the majority of these parents are women who have no educational qualification beyond Year 10. The jobs for which they are eligible are at the low end of the casual labour market. These are the jobs in hospitality, cleaning, and shelf-stacking, for example, that are unlikely to provide opportunities for work during school hours. Even where a parent is able to work during school hours they are faced with the problem that the moment they are required to attend to the needs of a sick child they will forfeit wages and perhaps even the job itself, thereby being left without income support until they are reinstated by Centrelink. This is couched in terms of offering an incentive to participate in paid work. It amounts, however, to an attack on women and children who are doing it tough.

It is clear that the skills and qualifications needed in a modern economy are not going to be conjured up by this punitive treatment of the disadvantaged parents of young children.

Similarly, people with disabilities, who face a cut of around \$46 a week, are not going to meet the needs of a modern competitive economy by being threatened with suspensions of their payments because, for example, they have an episodic mental illness and are unable to meet their so-called mutual obligations. If they engage in full time study, rather than being rewarded, they will receive a up to \$166 a week less. If they get a job for 15 hours a week at the minimum wage they will have a weekly disposable income that will be \$99 a week less than the pension.

The 1.3 million people who are currently on Parenting Payments and Disability Support Payments have been offered only 136,000 training and support places. The Government is investing more in compliance measures than in training and support.

People who will be placed on Newstart instead of the Parenting Payment or Disability Support Payment, for example, will now find themselves ineligible for the \$31.20 a week pensioner education supplement. This payment was designed to assist disadvantaged people with the pursuit of University or TAFE studies.

The household budget of Sole Parents will be further negatively impacted by the fact that the shift to Newstart allowance will no longer coincide with the receipt of the Common youth allowance, a sum of \$178 a fortnight that the household will *not* receive when the youngest child turns 8.

The current welfare package cannot be accurately described as a *reform*. It is evidence of a vision that looks backwards rather than forwards. This is an agenda that passes the buck on poverty and inequality. It contributes to greater income inequality at a time when there is not a scintilla of evidence to suggest that the slide into growing inequality has been arrested. Furthermore, it does nothing to really *enable* people to participate in work, education or the community. It does not offer dignity. It takes away hope.

4 SOCIAL JUSTICE BEFORE WELFARE REFORM

Welfare reform without social justice is a recipe for heightened social insecurity.

No just or equitable society can exist without a welfare system. Those which have attempted to exist without one have usually used the brutal expedients of simply letting the poor and disadvantaged die or fade away

The aim of the welfare system should be to assure all citizens of certain basic rights such as food and shelter, the ability to be a full participant in society, self respect and human dignity. Continuing development of the welfare system is essential as society changes and progresses.

The St. Vincent de Paul Society supports the development and implementation of policies which will facilitate the generation of adequate disposable income by people with disabilities and sole parents without placing themselves or their children at risk.

We do not support policies which will result in a clear increase in risk to the children. Totally unacceptable are policies which not only do not protect the children from long-term risk, but subject them to sharp and immediate risk (such as the payment suspension provisions in the current proposals).

The target attainment of 15 hours per week at minimum rates of pay, envisaged in the job and employment opportunity plans put forward in these policies is clearly and grossly inadequate. The target (and the expenditure) needs to be increased to provide sufficiently rewarding employment to establish an adequate disposable income for the families of sole parents. There also needs to be a strong provision of income security for those who are unable to participate in paid work as well as a strategic programme of education and training to enable people to participate.

The nexus between these welfare measures and the proposed Industrial Relations Reforms produces a recipe for driving vulnerable Australians out of the frying pan and into the fire. We are especially concerned about combined impact of these reforms on the children in these households.

WorkChoices will result in increased choices for employers and a diminution of freedoms for employees.

Our concern lies primarily with the way in which the combination of these two reform agendas will result in some of the most vulnerable members of the community being pushed off social security and into low-paid jobs that will be offered on the proviso that an Australian Workplace Agreement be accepted, even if that Agreement results in a lowering of real income and a loss of conditions such as penalty rates. The potential for these AWAs to wreak havoc on the lives of Australian families, especially the precarious positions of single-parent families, is very real and profoundly disturbing.

The combination of Welfare Reform and WorkChoices may result in an increase in profits. It will, however, do nothing to increase long-term productivity through innovation or skills-training. Neither will it do anything to improve the chances of the women, men and children who are either outside or at the lower end of the labour market.

The best form of welfare is indeed a job, but with three important caveats:

- 1 There are many Australians whose welfare will suffer if they are forced into paid work. Not least of these are the children whose parents are forced into jobs that do not permit them to fulfil their parenting responsibilities. Parenting is a job.
- 2 It is a retrograde step to undermine people's social security as a means of pushing them out of the Social Security system. The breaching regime, which began prior to the Coalition taking office, has always been opposed by the St Vincent de Paul Society on the grounds that it is punitive and does nothing to address the causes of disadvantage. Between April and June, 2005 there were a total of 28,276 breaches (Centrelink Quarterly Breach data). It simply means that people who are already disadvantaged are further disadvantaged. We have a practical knowledge of their conditions as many people in this situation come to us for assistance. It is unconscionable that sole parents and people with disabilities will face up to 8 weeks payment suspension.
- 3 A job will only be the best form of welfare if it provides a household with a secure living, while allowing it to balance the commitments of work and family.

The Government has a unique opportunity to seriously address both the skills-shortages that beset our economy and the opportunity-shortages that bedevil the lives of those who, if pushed off their social security benefits, will inevitably end up in the lowest end of the labour market, with little or no economic security and little chance of enhancing the opportunities for their children.

5 RISKS TO CHILDREN.

The St Vincent de Paul Society considers that the current proposals do not give proper weight to the risk to children arising from the regulations, and indeed, appear to totally ignore this factor when the penalty provisions are considered.

The promised funding for more childcare places will not go anywhere near meeting the needs of people trying to participate in work or education and training. In any case, this model of funding does nothing to address the serious absence of child-care facilities where they are most needed.

While this view is informed by the day-to-day contact our members have with sole parents and their families (a very significant sector within the Society's work), those bodies specifically concerned with the well-being of children have been outspoken in their criticism of the adverse impact on children which will result from the new impositions placed on sole parents.

Any official view that the risks to children from the new regulations is minimal, has presumably been based on appropriate advice from competent persons. It would seem that the public have a right to know the sources and qualifications of that advice, to allay the wide concerns now arising in the community on this issue. The changes in the original proposals which have had to be made already as a result of the expressions of these concerns, suggest that the original views on children risk were deficient.

6 AVAILABILITY OF WORK.

Nine out of ten jobs created in the last ten years paid under \$26,000. Fifty per cent paid less than \$15,000. The strategy of pushing people from one benefit to another (lower-paid) benefit and thence into poorly paid casual part-time work does nothing to address our skills-shortages or the loss of hope experienced by many people who have been left out or pushed out of the labour market.

Australian Bureau of Statistics figures show that the labour market is clearly failing to provide sufficient work for those already unemployed and underemployed.

In August 2005 there were **140,900** job vacancies, a decrease of 1.8% from May 2005. (ABS 6354.0)

In October 2005, there were **549,000** persons **unemployed**. (ABS 6265.0)

In addition, in September 2004, there were another **612,900** people classified by the ABS as "**underemployed**" (working part-time and wanting to work more hours) (ABS 6202.0)

In September 2004 there were another 855,300 persons classified by the ABS as **marginally attached** to the labour force. 789,900 or 92% were not actively looking for work but were available to start work within four weeks. **65,400** were actively looking for work but were not available to start work in the reference week. **82,000** were "discouraged jobseekers". (ABS 6220.0) Even if we took only these two groups who were not in the labour force but were marginally attached to it, they total **147,400** people.

Adding these 147,400 people wanting work but not in the labour market, with 612,900 underemployed who want more work and 549,000 unemployed people, gives a total of **1,309,300 Australians potentially available for 140,900 vacancies, or 9.2 persons per vacancy.**

To harass more people into this already overcrowded labour market seems an unusually cruel punishment for being a sole parent or having a disability.

7 THE BIG PICTURE.

The St Vincent de Paul Society has long maintained that poverty in Australia consists of three elements:

1. Financial hardship.
2. Unequal access to essential services.
3. The loss of hope

Strong public investment in social infrastructure is essential to a fair and cohesive society.

Long-term under-investment in education and training, affordable housing, health, transport, and child-care has left many people without opportunities.

The stated intention of the reforms is to reduce the level of welfare dependence in Australia.

For the long term, the Society believes that this objective can be best achieved by the development and implementation of policies which minimize the probabilities of our future generations of young people being excluded from the labour market in the first place.

We believe that these policies should aim to ensure that all children have access to a good education, good health care (including nutrition), secure housing and a safe environment as a very minimum.

As long as welfare reform policies highlight the purported incapacity of individuals rather than the incapacity of our economic system, any new policies are bound to result in an exacerbation, rather than alleviation, of poverty and inequality in Australia.

The St Vincent de Paul Society has consistently called for an approach that sees welfare neither as the problem nor as the complete solution.

It is of deep concern to our members, committed to the scriptural imperatives to seek justice for the poor, when the poor are blamed for their poverty, the unemployed are blamed for their unemployment, and the welfare system is blamed for its alleged creation of “welfare dependence”.

Low income earners must be left wondering why they are being blamed for their poverty. They could even be forgiven for believing they are being treated this way to pay for the considerable concessions to the rich. It is the height of absurdity to maintain that, in order to work harder, the rich need large carrots while the poor need large sticks.

8 RECOMMENDATIONS.

The St Vincent de Paul Society advocates the following approach:

Recommendation 1

The development of a National (Commonwealth-State) Strategy to address poverty and inequality, as per Recommendation 94 of the Senate Report on the Inquiry into Poverty and Financial Hardship.

Recommendation 2

That this strategy address the key areas of housing, health, education and training, childcare, transport, telecommunications and regional development. We urge the Commonwealth to examine the structural causes of the unemployment and exclusion that it is its mandate to address.

Recommendation 3

That the Income Security system be overhauled to ensure adequacy of payment levels for all recipients.

Recommendation 4

That the Income Security system be used to provide incentives for its participants to make the transition into paid work, including the full maintenance of payments for a substantial period after a person has entered the work-force.

Recommendation 5

That the crippling effect of EMTRs for those who are making the transition to paid work be addressed comprehensively.

Recommendation 6

That, rather than shifting people into paid work as a narrow priority, a strategy for channelling people into education and training opportunities be developed, with full income support being maintained.

Recommendation 7

That the skills that people are encouraged to develop are selected on the basis of regional labour market analyses.

Recommendation 8

That the practice of breaching, or payment suspension, be rejected as unjust and punitive.

Recommendation 9

That life-skills centres be established, particularly in areas of high unemployment, in order to augment the process of developing the levels of employability for people who have been outside the labour market for protracted periods.

Recommendation 10

That Industrial Relations legislation be analysed from the perspective of the impacts on low-paid workers and people who are likely to be moving into low-paid work.

Recommendation 11

That projected participation rates be analysed in terms of a more complete picture of labour force statistics (including the rates of underemployment and marginal attachment).