



**Submission to
Senate Community Affairs Committee
Inquiry into the Employment and
Workplace Relations (Welfare to Work)
Bill 2005**

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About VCOSS

The Victorian Council of Social Service (VCOSS) is the peak body of the social and community sector in Victoria. VCOSS works to ensure that all Victorians have access to, and a fair share of, the community's resources and services, through advocating for the development of a sustainable, fair and equitable society.

VCOSS members reflect a wide diversity of the Victorian community, with members ranging from large charities and sector peak organisations, to small community services, advocacy groups and individuals engaged in social policy debates.

VCOSS Vision

VCOSS is committed to living out the principles of equity and justice, and acknowledges we live in a society where people are interdependent of one another. VCOSS respects the land we live in and recognises the Indigenous custodians of the country. VCOSS is committed to reconciling all injustices with Indigenous Australians.

The VCOSS vision is one where social well being is a national priority, and:

- Ensures everyone has access to and a fair share of the community's resources and services;
- Involves all people as equals, without discrimination;
- Values and encourages people's participation in decision making about their own lives and their community.

Key issues and recommendations regarding the Welfare to Work package and legislation

VCOSS endorses the submission by the Australian Council of Social Service (ACOSS) to the Senate Community Affairs Committee Inquiry into the Employment and Workplace Relations (Welfare to Work) Bill 2005.

VCOSS has grave concerns about the adverse impacts of the proposed Welfare to Work legislation on people experiencing disadvantage in Victoria, particularly sole parents and people with disabilities. The proposed Welfare to Work measures will unnecessarily and inequitably result in a large number of new applicants for the Parenting Payment Single (PPS) and Disability Support Pension (DSP) after 1 July

2006 experiencing increased financial hardship as a result of being placed on allowances such as Newstart, which are lower than pensions, rather than on pensions. Further, the lack of protection for sole parents and people with disabilities who will be receiving such allowances is also concerning. The proposed requirement that they undertake unfairly onerous 'activity requirements' does not recognise, or make allowances for, the fact that they may be experiencing severe personal hardships resulting from their particular life circumstances.

The proposed penalty system is also unduly harsh. If the proposed suspension provision goes ahead, many Victorians already experiencing financial hardship will lose their income entirely for up to 8 weeks. VCOSS proposes a number of key changes which we strongly urge be implemented to ensure the legislation is fairer, more equitable and more effective. These changes will assist in ensuring that the elements of the new legislation do not make it harder for Victorians already experiencing significant disadvantage to meet their basic costs and needs of living, let alone for them to find and keep appropriate employment.

Reductions in payments for sole parents and people with disabilities

The proposed changes are clearly inequitable. People with disabilities and sole parents applying for income support in future will be financially worse off than those in identical circumstances already receiving income support. It has been estimated that up to 14,400 people with disabilities assessed as able to work 15 hours a week ('people with partial incapacity') and 13,500 sole parents ('principal carers') in Victoria will be put onto allowances rather than pensions after 1 July next year¹. This means that a person with a disability receiving income support in future would be \$46 per week worse off if jobless, up to \$164 worse off if a full time student, and \$93 worse off if earning \$200 from part time work, on an allowance rather than on a pension. A sole parent would be \$29 worse off if jobless, \$60 worse off if a full time student, and

¹ '27,900 Victorians could be worse off if Federal welfare law is passed', media release, VCOSS, 25 July 2005. For details of the methodology used to obtain these figures, see www.acoss.org.au Although some changes have recently been made to the legislation, including that single parents will be put onto allowances once their youngest child turns 8 rather than 6 as was initially stated, we estimate that around 85% of people originally estimated to be affected will still be affected by the legislation. See 'ACOSS and its members respond to welfare to work legislation', media release, 10 November 2005.

\$96 worse off if earning \$200 from a part time job, on an allowance rather than on a pension².

As well as being inequitable, the proposed shift to lower payments will impact severely on people whose basic costs of living are already significant. Currently the Newstart payment is around \$200 per week. \$200 barely covers the cost of renting a 3 bedroom house in many areas of Melbourne, let alone other basic costs of living such as food, clothing, electricity and transport. Sole parents, with education, child care and other child rearing costs, and people with disabilities, with additional transport and medical costs related to their conditions, will find it significantly more difficult to live on such a low income, let alone actively seek employment or participate in education and training.

The proposed changes will impact significantly, and disproportionately, on rural and regional areas of Victoria, as well as outer metropolitan and 'growth corridor' areas. In such areas, while housing is more affordable for people on low incomes, transport costs are significantly higher and employment prospects weaker than in inner metropolitan areas. VCOSS anticipates that a significant number of sole parents and people with disabilities living in rural and regional Victoria and outer metropolitan Melbourne will be made financially worse off by this legislation, without necessarily finding work.

In addition, allowances such as Newstart are not structured appropriately for people in part time work. This is of significant concern, given that part time positions are the type of work which the 'Welfare to Work' package is targeted towards sole parents and people with disabilities obtaining, and which are generally most appropriate to their life circumstances. Due to the rate at which income support is reduced per dollar earned from work on an allowance, and the high effective marginal tax rates applicable to allowances³, it is estimated that a single parent with one child working 15 hours per week on Newstart on the minimum wage would be receiving effectively \$3.90 per hour. A person with disability on Newstart working 15 hours a week (and

² 'Who is worse off? The regional distribution of people affected by the Welfare to Work policy', ACOSS Info 381, October 2005

³ 'Distributional impact of proposed welfare to work reforms upon single parents', August 2005, and 'Distributional impacts of proposed welfare to work reforms upon Australians with disability', September 2005, NATSEM

not entitled to Mobility Allowance) could be working for \$2.80 per hour⁴. Not only does this create a disincentive for income support recipients to move from 'welfare to work' but, when taking into account the increased costs of going to work for many sole parents and people with disabilities, such as costs of childcare and particular transport requirements, means that many of these people are likely to be financially worse off if they obtain part time work.

VCOSS recommends that single parents with 8 – 15 year old children and people with disabilities assessed as able to work 15 – 30 hours per week should continue to:

- **Be paid at pension payment rates, and receive the Pensioner Education Supplement, the Pensioner Concession Card, Pharmaceutical Allowance, Telephone Allowance, Pensioner Tax Offset, and Rent Assistance;**
- **Be subject to the pension income test and not the parental income test (for people under 25 years)**
- **Not be subject to the Liquid Assets Test.**

Activity requirements

Sole parents and people with disabilities who will be placed on allowances rather than pensions under the Welfare to Work legislation will be required to undertake 'activity requirements', such as seeking a prescribed number of jobs per fortnight and/or undertaking Work For the Dole, and could have their payments suspended for up to 8 weeks if they do not fulfil these requirements. These requirements, and the harshness of the penalty regime, are of great concern to VCOSS. Although the Government has stated that activity requirements will be tailored to sole parents and people with disabilities, as well as mature aged people receiving allowances, VCOSS is concerned that the legislation does not explicitly guarantee that the activities that sole parents and people with disabilities will be required to undertake will be reasonable and appropriate to their circumstances. A sole parent who has recently left a situation of family or domestic violence should not be expected to look for work until they are able and ready to do so. A person with a psychiatric disability experiencing an 'episode' should not be obliged to undertake Work for the Dole. In addition, a person's geographic location, travel costs and employment prospects

⁴ 'Who is worse off? The regional distribution of people affected by the Welfare to Work policy', ACOSS Info 381, October 2005

relative to their location, should be taken into account when activity requirements are imposed on them. Protections such as these are too important to be left to 'guidelines' and administrative discretion, and must be guaranteed in the legislation.

VCOSS recommends that the Welfare to Work legislation guarantee that:

- **foster carers; home schoolers; distance educators; parents of children with disabilities; principle carers for 4 or more dependent children; principal carers having separated within the last 6 months; people leaving situations of family or domestic violence; people undergoing acute personal crisis such as homelessness, and people undergoing an acute phase of an illness or disability should be temporarily exempted from activity requirements;**
- **principal carers, people with partial incapacity and people at least 55 years old are not required to seek more than 4 jobs per fortnight;**
- **principal carers and people with partial incapacity are only required to undertake part time activity requirements;**
- **principal carers and people with partial incapacity are not required to seek and accept employment of more than 15 hours per week;**
- **activity requirements for principal carers and people with partial incapacity should be set with consideration of:**
 - **the needs of children with illnesses, disabilities or behavioural disorders;**
 - **the costs of child care;**
 - **the time constraints on principal carers regarding working hours and travel times;**
 - **the extra work and travel costs faced by people with disabilities;**
 - **mental illness, episodic or deteriorating illness or disabilities;**
 - **unstable living arrangements, including homelessness**
- **activity requirements for principal carers and people with partial incapacity should be restricted in the following ways:**
 - **they should not be required to travel more than 60 minutes to a job;**
 - **they should not have to pay more than 10% of their income support payment in travel to a job;**

- **their activity requirements should be limited if they live in an area where there are few jobs available which are appropriate to their circumstances.**

Penalties

VCOSS is also greatly concerned about the harshness of the proposed penalty system which maintains that sole parents and people with disabilities could lose their income support payments entirely for up to 8 weeks. Sole parents and people with disabilities are already some of the most financially disadvantaged people in Victoria, and constitute a large proportion of users of emergency relief, financial counselling and supported accommodation assistance services. VCOSS fears that a complete loss of income for even a short period of time for people in these circumstances, who will be financially worse off on lower payments and so have even less capacity to accumulate savings to 'tide them over' in an emergency, would have grave implications for their health and wellbeing, and that of their children. Many will be forced to rely on emergency relief and supported accommodation services for survival. Such services, which are already under considerable strain in Victoria, are not resourced to support individuals for weeks at a time. As well as making their lives more precarious, such a penalty measure would also negatively impact on their ability to look for, and find, work, or participate in education and training programs.

VCOSS recommends that the *maximum penalty* for non-compliance with activity requirements:

- **should be 2 weeks without payments rather than 8 weeks, and it should not apply to 'administrative' breaches such as not attending Job Network interviews;**
- **should only apply to failure to accept a suitable job offer where this is the third activity breach in a year.**

In addition, VCOSS recommends that the Welfare to Work legislation guarantee that emergency financial assistance be made available through Centrelink for recipients whose payments have been suspended, to enable them to pay rent and bills, and to buy food for themselves and their children.