

Submission

to

Senate Community Affairs Committee

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

Submitter: Richard Watts

Organisation: Australian Council of Trade Unions

Address: 2nd Floor
393 Swanston Street
MELBOURNE VIC 3000

Phone: 03 9664 7346

Fax: 03 9663 4051

Email: rwatts@actu.asn.au

Introduction

The ACTU agrees that being in employment is a personal and social good. Participation in the workforce brings a variety of tangible and intangible benefits to workers, their families and society as a whole.

However, for these benefits to be meaningful the work must be meaningful and the benefit to the employee must be greater than the loss endured.

The ACTU is firmly of the opinion that the Employment and Workplace Relations Legislation Amendment (Welfare to Work and other Measures) Bill 2005 will not produce individual or social good. The Bill is based on crude and false propositions. They include a number of assumptions, including the assumption that participation in the labour market will result via restrictions in the availability of benefits. At the heart of this assumption is the view that welfare recipients are malingering and 'incentives' are required to force them into the labour market.

There is no need to reduce people's income support to get them into jobs. The payment cuts should not proceed.

Economic Rationale for changes

The economic rationale underlying the welfare to work legislation is flawed. The legislation's rationale is concisely explained on Centrelink's official website:

Strong economic growth and the increasing desire for and availability of part-time work provide an opportunity to rebalance Australia's welfare systems, so that it will better meet the needs of the 21st Century. Many parents and people with a disability want to work and have the capacity to work part-time.

The Welfare to Work initiatives recognise that the best form of income support comes from a job, not from welfare.¹

It is hard to see how stronger economic growth flows from forcing welfare recipients into work, particularly part-time work. Whilst the dramatic increase in the growth of part-time employment has created increased workforce participation opportunities for some, for many, it has resulted in underemployment.

Increasing the supply of labour whilst deregulating the labour market is designed to reduce the cost of labour and increase profitability. It is assumed that this will result in increased growth. This is not the case. Increased growth arises from a number of factors, including increased productivity. Productivity is not equivalent to profitability.

Nor do any savings achieved by the Commonwealth through denial of benefits to those who fail to meet the new conditions result in higher economic growth.

The claims that the changes allow the Government to 'Rebalance Australia's welfare systems' seems to be little more than Orwellian speak for cutting Australia's welfare systems.

¹ http://www.centrelink.gov.au/internet/internet.nsf/services/welfare_work.htm#change
accessed 14 November 2005.

Slavishly following IMF's proposals

The Bill in part arises from proposals put to the Australian Government from the International Monetary Fund via its country report.² The ACTU rejects the economic reasoning behind the IMF's recommendations. In particular the IMF's view that a tightening of eligibility for income support programs, in particular the Disability Support Program, will result in higher levels of employment and productivity.

The IMF has enthusiastically supported the Federal Governments dual and interlinked program of labour market deregulation and increased labour supply through restrictions in eligibility for welfare payments.

At no stage does the IMF provide any evidence that the measures will enhance economic growth or productivity.

The welfare to work changes cannot be properly characterised as structural change. Insofar as Australia faces challenges from an ageing population and workforce, the Bill is not an appropriate response. The changes are mean spirited and costly to the individuals concerned, their families and society as a whole.

The Bill does not improve the capacity for work and will not result in increased productivity.

As Julia Perry, a former Director of Sole Parent and Family Policy and former Director of Disability Policy in the former Department of Social Security has stated:

The Minister for Employment and Workplace Relations, Kevin Andrews, has said surveys found that 82 per cent of jobless disability support pensioners and 74 per cent of jobless parenting payment single recipients would prefer to work. So, if the problem is not the desire to work, the solution is to overcome barriers to work, helping

² International Monetary Fund. Country Report No. 04/353. Australia

them find suitable jobs that result in an increase in net income – not relying principally on cutting income and applying force.

Providing additional employment services and child care places are not sufficient help. ... These changes ... do not go far enough. In particular, there is no scope for part-time education to improve employability for these people.³

Having surveyed Victorian women, the Victorian Government in 2004 introduced a Return to Work Training Grant of \$1000. The grant proved to be enormously popular, underscoring the issue of the need to address skills training.

³ Julia Perry, The Poverty Trap Closes in on the True Battlers, The Sydney Morning Herald, 10 November 2005

Impact on Families

The proposed changes will impose further pressures and hardship on Australian families. The ACTU does not believe the changes proposed offer any economic or social benefits to welfare recipients or society as a whole.

In support of the changes in this Bill the Government refers to 700,000 children growing up in jobless households. This matter is the subject of a feature article in the July 2004 issue of the Australian Bureau of Statistics catalogue Australian Labour Market Statistics⁴ entitled *Children Living Without an Employed Parent*. In this article the ABS finds that:

One parent families are the main group of families without an employed parent. ... in 2000-01, in one parent families where the youngest child was under five, 79% of children were living without an employed parent. This compares to 46% of children in one parent families where the youngest child was between five and 14. This suggests that many of these lone parents are taking time out of the labour force while their children are very young. In contrast, the proportion of children in two parent families without employment in 2000-01 was 8% when the youngest child was under five and 7% when the youngest child was five to 14. In 2000-01, 55% of children living in two parent families had both parents employed.⁵

In this regard the ABS states:

Children living without an employed parent, or children in jobless households, are seen by many analysts as being at risk of socioeconomic disadvantage. ... However, there may be positive effects for children living without an employed parent, for example, if the reason the parent is without a job is to care for children or to undertake study to try to improve the economic wellbeing of the household later on.⁶

In their submission to this year's Safety Net Review the Federal Government referred to a report "Australian Family Income Dynamics: Preliminary

⁴ ABS Cat. No. 6105.0, July 2004, pp 10-17

⁵ *ibid.* p.14

⁶ *ibid.* p.10

Evidence from the Negotiating the Life Course Project. The authors of that report, upon which the Government sought to rely, comment on jobless households, including those with children:

The other interesting aspect of these 'jobless' households, is the relatively small number that remained jobless over the two waves. The McLure Report (and other government reports) have repeatedly expressed concern about long-term joblessness in households, especially those with children. Our data suggest that the percentage of households remaining in this state for long periods is extremely small.⁷

The 2001 Census data indicated that single mothers participation in paid employment lags behind that of couple mothers only until the child(ren) reach secondary school age when participation rates become comparable. This suggests that the barrier to employment is the care of children, not a lack of aspiration to paid employment.

Child care and family responsibilities

Access to child care is fundamentally linked to welfare recipients' availability to work. Without childcare many welfare recipients are simply not in a position to make themselves available for work. In addition the childcare must be affordable, of an adequate standard and be available during periods that a welfare recipient may be required to work.

With proposed industrial relations changes it is more likely than not that employees, in particular new entrants into the workforce could be required to work various roster arrangements with little notice. Without reciprocal flexibility in the provision of child care it may be impossible for meet the demands of care giver and enterprise worker.

It is likely that current welfare recipients may find themselves in a position, through no fault of their making, that they cannot both meet the requirements

⁷ Breusch T and Mitchell D, *Australian Family Income Dynamics: Preliminary Evidence from the Negotiating the Life Course Project* p.14

imposed upon them by employers and government thereby making them liable to sanctions from both.

The ACTU has previously argued that Government must reduce high effective marginal tax rates that apply to people moving from welfare to work. We welcome the change to the withdrawal rates on Newstart announced in 2005 Budget which go some way to reducing effective marginal tax rates for recipients. However, moving sole parents and people with disabilities from pensions to Newstart, as proposed, increases the effective marginal tax rates which will apply to those so affected, if and when they gain employment.

We again quote Julia Perry:

The Howard Government's welfare to work measures will abolish the pension for sole parents whose youngest child is eight or older and for people with moderately severe disabilities – those assessed as able to work at least 15 hours a week. These groups will instead claim Newstart, and be required to seek jobs of at least 15 hours a week.

The first consequence is that these two groups, already at risk of poverty, will face significantly lower living standards. Those at work, including 30 per cent of sole-parent pensioners, will face the greatest losses because of the harsher income test.

The second consequence is the loss of individual choice in how to combine jobs and family needs or, for people with disabilities, how to manage their lives.⁸

⁸ Op cit

Interaction with industrial relations changes

The Bill allows for a situation where a current welfare recipient can be forced to take a significant reduction in living standards. This may well be the case despite the beneficiary finding part-time work.

The new industrial relations changes allow employees to be paid as little as \$12.75 per hour with entitlements to most conditions removed under the new minimum standards established by the Australian Fair Pay Commission.

For many employees the direct and indirect cost of attending work will mean a reduction in living standards. The cost of childcare alone is approximately \$7.87 per hour.

The requirement to work at least 15 hours per week assumed that there are in fact 15 hour jobs. In reality, it may take a multiple of casual jobs to make up that hours requirement.

Moving welfare recipients onto Newstart where there is a requirement to accept work, provided the minimum standards are met, will cause considerable unnecessary hardship.

Denying workers benefits if they refuse a job irrespective of distance, appropriate wage rates and/or conditions is to construct the potential for systemic coercion.

The ACTU has previously argued that the Government should reduce the waiting periods that people must serve before requalifying for benefits if their employment does not last.

Such changes are all the more important as a result of the proposed industrial relations reforms which abolish unfair dismissal for employers with up to and including 100 employees and “operational requirements” redundancy provisions for those with more than 100 employees.

Conclusion

The Bill will not meet its stated objectives whilst creating considerable hardship and social dislocation. By any measure this Bill is bad law and should be rejected.