



Welfare reform: participation or punishment?

ACOSS Info 373 – May 2005

Summary

A society will ultimately be judged by the way in which it treats its most disadvantaged members. The Government's welfare package, to be announced in this year's federal budget, is an important test.

This paper outlines some basic facts concerning income support for people of workforce age, identifies challenges that the package should address if it is to succeed in getting more people into jobs, and evaluates proposals for change that have been floated so far.

The target group – the most disadvantaged Australians

After many years of strong growth in the economy, Australia faces a challenge to integrate as many social security recipients as possible into the mainstream of jobs and community life. The problem is not one of growing reliance on income support – that has been falling for seven years. Nor is it a heavy burden on the public purse – Australia's level of reliance on social security is low compared with other wealthy countries. The Productivity Commission estimates the cost of workforce age payments will *fall* over the next 40 years.

The real challenge is that one and a half million social security recipients are still jobless after years of strong growth because they come from the most severely disadvantaged groups in society. Almost three quarters of a million have been assessed with severe disabilities. Another quarter of a million jobless recipients have been on unemployment benefits for over a year. Almost half a million recipients are jobless parents caring for children, mostly alone, and many of these families also experience disabilities, severe health problems, domestic violence, and grinding poverty.

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Recipients live from hand to mouth on social security payments such as Newstart Allowance which pays a single adult just \$200 a week. Much is expected of those unfortunate enough to exist on Newstart Allowance. They must search for work intensively and prove it, work for the dole and participate in employment programs. If they fail to meet these requirements they face fines of up to \$1,600 - the loss of benefits for 8 weeks.

Proposed obligations for people with disabilities and parents

The Government proposes to bring around 300,000 low income parents and 60,000 people with disabilities into the 'activity testing' and penalty regime. This has big implications for people with disabilities and low-income parents. It would place them and their children in a more vulnerable situation where part, or all of their payments could be withdrawn for long periods of time.

A decision to expose people and their children to these risks should not be taken lightly. Requirements to look for work or participate in programs should not be extended to these recipients unless the Government:

- can demonstrate that it would improve people's job prospects and not adversely effect their children
- enables them to improve their education, skills and capacities, rather than simply requiring them to look for a job immediately
- makes a substantial investment in more and better employment assistance, and support services such as child care
- eases the harsh compliance and penalty regime so that penalties are reduced and only used as a last resort
- ensures any requirements will be relevant to individual circumstances, especially people's disabilities and the needs of dependent children
- ensures that they are negotiated fairly and consistently, according to principles of natural justice (including full review and appeal rights).

The Government's obligation to help people get a job

The Government argues that by imposing activity requirements and offering employment assistance to more people, that long term reliance on social security would be reduced. But this will only happen if the Government meets its obligation to invest in better employment assistance, access to child care and other support services. A concerted effort is also needed to encourage and support employers to engage people whom many have not considered employing before: people with disabilities, mature age people and long term jobless people.

To get disadvantaged people into secure jobs, it is not enough simply to press them into searching harder. Nor is it sufficient to simply expand the existing employment assistance and support services. A higher level of investment is required in each job seeker.

For example, the average investment in employment assistance for each long-term jobless person has been cut dramatically over the last decade. As a result

Job Network providers are unable to offer substantial help with barriers to work, such as skills training, or a sizeable wage subsidy to encourage an employer to give them a chance. In addition to Government funding to interview and counsel job seekers, providers can use a *Job Seeker Account* to help them overcome barriers to employment. However the amount available averages about \$1,000 per long term unemployed person – enough to buy just a few weeks’ training.

This will have to change if welfare reform is to succeed. Only 26% of recipients of Job Network Intensive Support services get a job lasting more than 13 weeks. Already, providers report that a growing proportion of their clients are difficult to place in jobs due to disabilities, mental health problems and other barriers to work. The proposed changes would bring large numbers of even more disadvantaged groups into the system. The Job Network and Work for the Dole are increasingly focussed on compliance with social security obligations rather than positive help to get a job.

It is essential that parents have access to adequate, affordable child care. This will be difficult to guarantee for the up to 200,000 jobless Parenting Payment recipients with school age children, given that the *overall* number of places on Outside School Hours Care throughout Australia stands at around 150,000. In addition, employers will have to be more prepared than most are now offer more family friendly conditions, including leave to care for sick children and flexible working hours.

The Government’s welfare reform package

In its forthcoming welfare package, there are indications that the Government will take a number of positive steps to improve people’s future employment prospects, including:

- more investment in employment assistance, including specialised help for people with disabilities
- more child care places and subsidies for parents looking for work
- the possibility of wage and other subsidies to encourage employers to take on disadvantaged job seekers
- an easing of income tests to encourage recipients to work part time.

However, current indications are that the package will tilt the balance towards obligations and punishments for recipients:

- To date there has been much more emphasis on new requirements for parents and people with disabilities, than on the supports required to help them find a job.
- Instead of reforming the social security system to remove anomalies between different payments and simplify the system, the Government proposes to divert large numbers of people with disabilities from higher payments to lower ones, and to introduce another level of payment into the system – a lower rate of payment for many pensioners.
- Instead of using penalties as a last resort, it proposes to intensify work requirements for many long-term unemployed people.

Penalising the poorest

Welfare reform should be judged by its success in getting people into jobs and improving their lives. In that case, foreshadowed cuts in future social security payments affecting up to 400,000 recipients are harsh and unnecessary. In order to get more people into jobs, it is not necessary to:

- Divert 60,000 future applicants for Disability Support Pension assessed as able to work part time from DSP to unemployment allowances that are generally \$40 per week less, and lack pensioner concessions.
- Reduce the future pensions of 65,000 existing DSP recipients and possibly another 250,000 sole parents by around \$10 per week by cutting the indexation of their payments.
- Force up to 25,000 long term unemployed people onto 'Work for the Dole' projects for 10 months where they will work for just \$8 per hour, only two thirds of the legal minimum wage.

Likely cost of the Government's package

Many people mistakenly believe that a major welfare reform package of the kind being considered by the Government would save money in the short term. Yet, just extending the existing inadequate level of employment assistance and support to its 'target group' of parents and people with disabilities would cost around \$800 million per year more, when fully operational.¹

The high cost is due to the numbers of people involved. Once the new system is fully in place, by its third year, around 300,000 jobless people would be assessed, 'activity tested' and enrolled in programs like the Job Network and Work for the Dole. Many would also will need back up support such as child care. To put this in perspective, \$800 million would average out at less than \$3,000 per person.

But this *minimal package of employment assistance* is not enough to substantially improve the job prospects of disadvantaged recipients. We estimate the Government would need to spend roughly twice this amount on each jobless person to make a real difference. That is, an *adequate package of employment assistance* would cost around \$2 billion more when fully operational. This would be needed to fund better Job Network and other employment assistance services, wage subsidies and other incentives for employers, quality education and training programs, an expansion of open employment services for people with disabilities, and improved child care fee subsidies.

Unfortunately, the Government has suggested it proposes to fund a large part of its welfare reform package from jobless recipients themselves, by reducing the future social security payments of many people (see below). We estimate that the cuts flagged by the Government in media reports would save around \$750 million per year.² In that event, these payment reductions would almost pay for extension of the present '*minimal*' level of employment assistance, together with the cost of assessments and 'activity testing, to those people newly required to

¹ In about the third year after its introduction.

² Per year cost once the package is fully operational, in around the third year after its announcement.

look for work. Although the package would be almost revenue neutral, it would be funded by spending cuts.

On the other hand, a fair and effective package of employment and other assistance to assist this number of people into jobs without reducing their income support would cost around \$2 billion a year. This would be money well spent – such an investment today would benefit social security recipients, and save the Government money in future years.³

ACOSS and welfare reform

For many years, ACOSS has supported policies to assist jobless people to progress from benefits into secure jobs. Where a job is an appropriate and realistic outcome for social security recipients, it is the best outcome both for them, their families, and the community. To this end we have supported employment programs, reforms to income tests, and other changes designed to help and encourage recipients into jobs. We have also supported compulsory participation in programs (such as subsidised employment for long term unemployed people) where we considered the program would benefit people and penalties for non compliance were not too harsh.

ACOSS welcomed the proposals of the Government's Reference Group on Welfare Reform, when its report – the *McClure Report* – was released five years ago. The report called for a substantial investment in employment and other assistance to support participation in the labour market and society. It called for major reform of social security to remove unfair anomalies between different payments and ease income tests. It also called for a constructive approach to engaging recipients with the labour market - penalties were to be used 'only as a last resort'.

Unfortunately, this welfare reform strategy lost momentum after the announcement of a modest set of reforms, including an earnings credit that eased work disincentives, in the *Australians Working Together* package in 2001. An opportunity to get many more social security recipients into jobs while the economy boomed in the ensuing years was lost. By the time the Government's present welfare changes are implemented in a year's time, economic conditions could be less favourable.

A fair and effective approach

Rather than shift people from higher to lower payments within an unfair and complex social security system, the Government should change the system. It should implement the proposals outlined in the *McClure Report* and its Ministerial discussion paper on social security reform two years ago, *Building a Simpler System*:

- In place of the present two-class social security system (pensions and unemployment allowances), all recipients should receive the same standard base rate of payment – but payments should be levelled up not down.

³ In addition to the cost of any measures to improve income support.

- They should also be entitled to supplements to assist with extra costs such as the costs of disability, job search and training, and rent.
- Harsh income tests should be eased, especially the Newstart Allowance income test which deprives unemployed people working part time of 70 cents of every dollar they earn above a low threshold.

If the social security system were reformed in this way, then the Government and service providers could focus on helping each recipient overcome their barriers to work, regardless of which payment they happen to receive. Our proposals include:

- More resources for Job Network providers, so they can use Job Seeker Accounts to pay for wage subsidies, further education and training, relocation assistance and other help to overcome employment barriers.
- Removal of caps on effective specialist programs such as Open Employment and CRS.
- Any activity requirements for Parenting Payment recipients to be subject to the availability of affordable, adequate child care.
- Work with employers to overcome discrimination and other barriers to employing disadvantaged jobseekers.
- Indigenous Employment Centres to be expanded and CDEP projects and participants to have equivalent resources to Work for the Dole projects.

Existing protections against unreasonable activity requirements and unfair decisions to breach or suspend payments should be strengthened, especially if the Government is considering extending activity requirements to vulnerable groups like people with disabilities and parents:

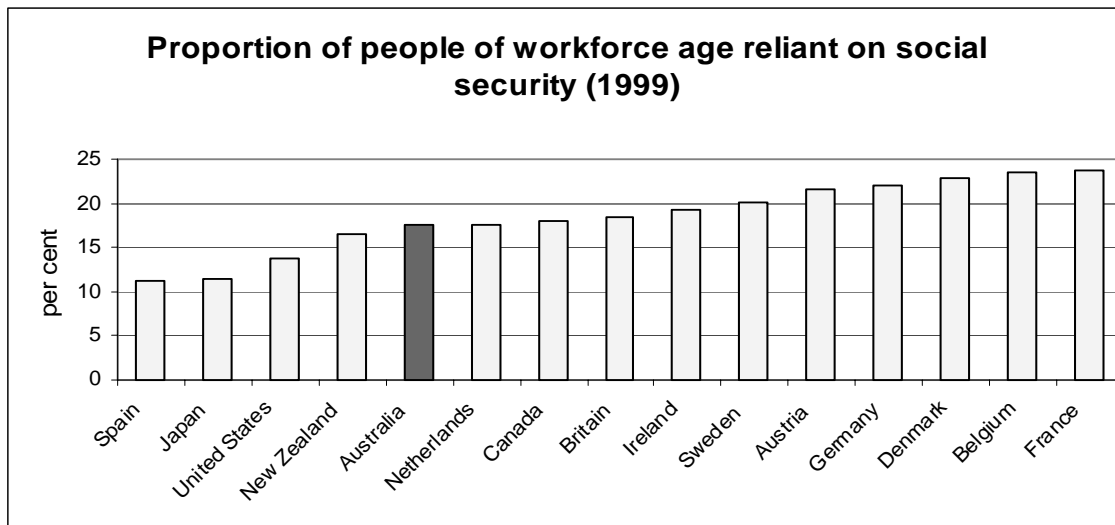
- Reduce penalties for breaches, especially the eight week suspension of payment penalty.
- Maintain the scope, resources and format of the independent Social Security Appeals Tribunal.
- Keep the administration of social security payments and activity tests within Centrelink to ensure national consistency in decision making and compliance with natural justice and administrative law principles.
- Exempt people from participation requirements where they have a child with a disability or chronic illness, or substantial caring responsibilities for a person with a disability, or face a critical event such as divorce proceedings or threat of domestic violence.
- Take proper account of the number, ages and needs of children, and access to child care and school, as well as the recipient's disabilities or health problems, instability in the family or in living arrangements, their location, and the costs of participation.
- Don't impose requirements for parents and people with disabilities to participate in Work for the Dole.

1. Reliance on social security: the basic facts

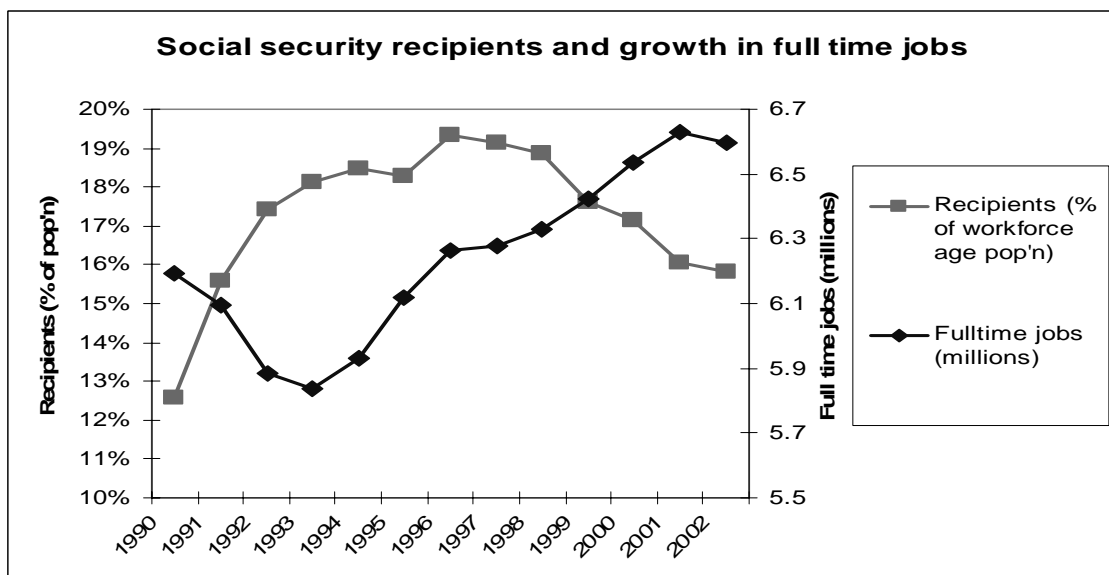
Reliance on social security is already falling

There is no 'welfare dependency crisis'.

Reliance on social security for people of workforce age is below the average for comparable countries, and has been *falling* for the past seven years since growth in full time jobs finally picked up in the late 1990s (see graphs below).



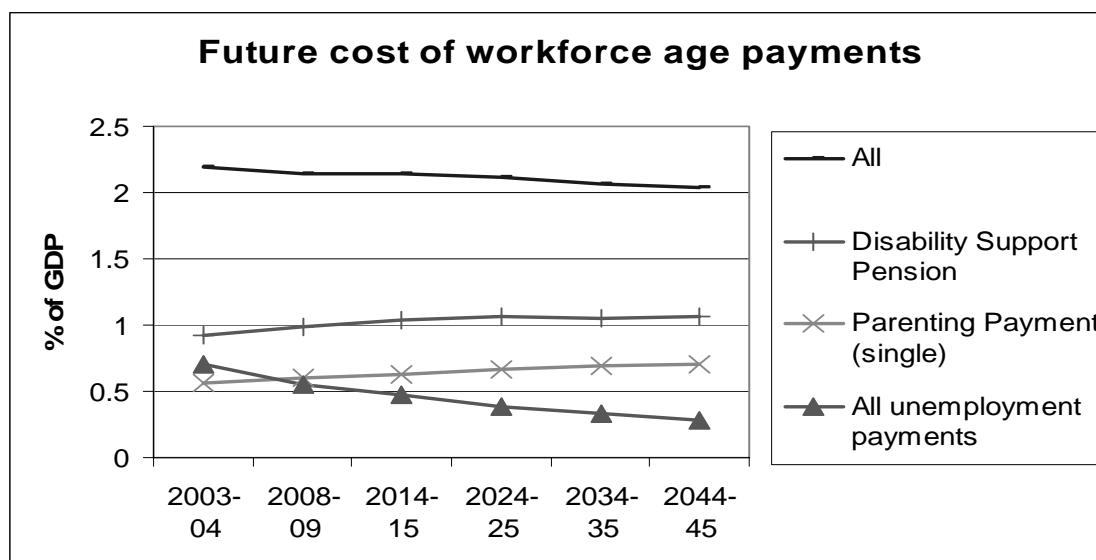
Source: OECD 2003, *Employment Outlook*



Source: Whiteford et al, 2002, *The Australian system of social protection*; FACS (various years), *Portfolio Budget Statements*. Data on excludes age pension and student payments; ABS labour market surveys, regarding on full time employment.

Spending on income support is low by world standards, and expected to fall in future years

These payments are low by international standards – for example \$200 a week for a single unemployed person – so Australia can afford them. Further, the Productivity Commission projects their overall cost to *fall* (in proportion to GDP) over the next 40 years (see graph below).



Source: Productivity Commission (2005), Economic effects of population ageing.

2. Barriers to work

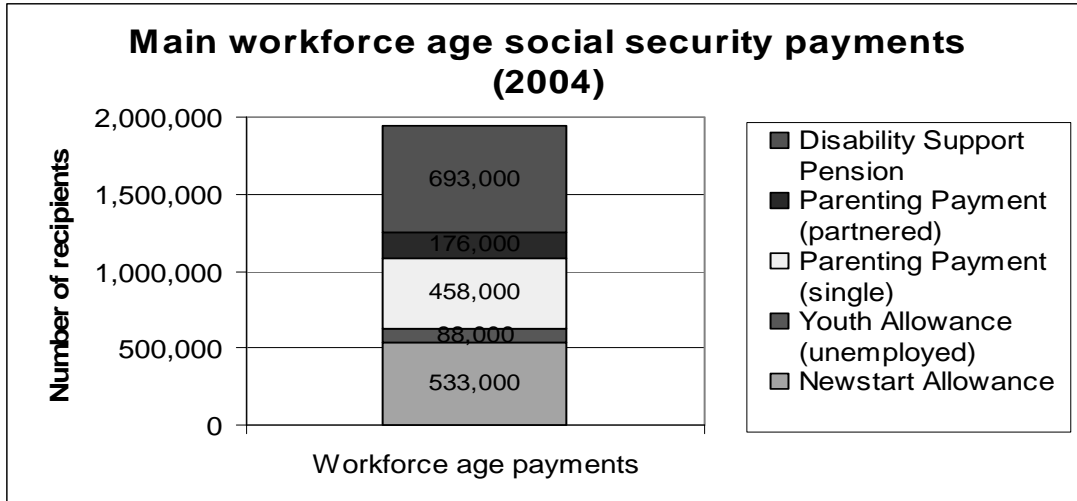
Those people still out of work in a booming economy are the most disadvantaged

The real problem is not the cost of social security. It is the exclusion of two million recipients - 700,000 people with disabilities, 600,000 parents, and 600,000 unemployed people - from a secure job, and the income, self esteem and social recognition that goes with it. Enforced joblessness remains one of our most pressing social problems.

A strongly growing economy is an opportunity to bring more recipients into jobs, but there are signs that the boom will subside this year. Delays in progressing welfare reform in the last 2 years could prove costly. By the time the current round of changes is implemented in July 2006, jobs could be more scarce.

The big challenge for welfare reform at this stage in the business cycle is that the remaining social security recipients are the ones with the greatest hurdles to work.

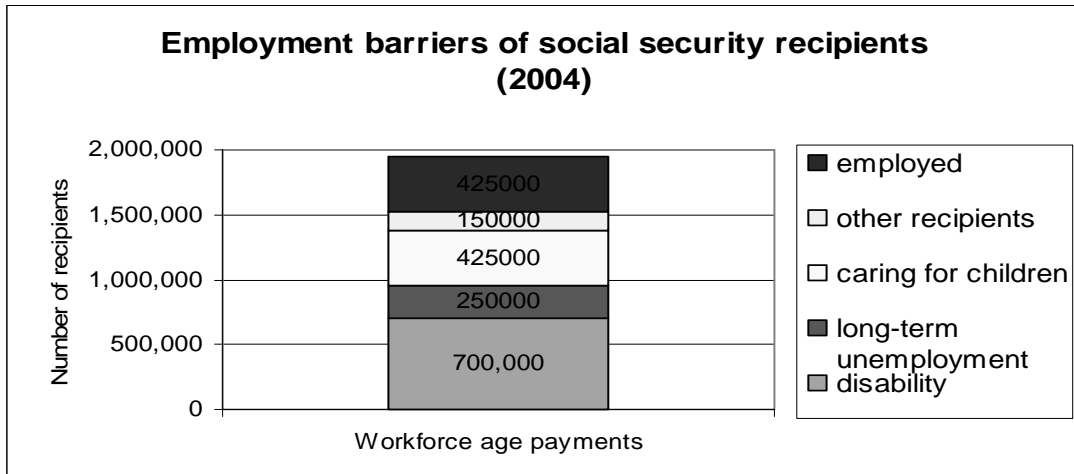
The present round of welfare changes is targeting recipients of four payments: Disability Support Pension, Parenting Payment, Newstart Allowance and Youth Allowance (non-student) – see graph below.



Source: FACS (2004), Portfolio Budget Statement, Centrelink data and ACOSS estimates.

Of these two million recipients, around 425,000 (around 20%) have at least part time work already. But of the remaining one and a half million jobless recipients (see graph below):

- Around 700,000 (45%) have been assessed by Centrelink as having disabilities, and most employers still won't employ people with disabilities⁴.
- An additional 425,000 (30%) are caring for children under 16 years (the majority sole parents). They will need help with child care before they can work or train. Further, around 30% of these jobless parents also have a disability that would make it hard for them to work⁵.
- Another 250,000 people (20%) have been on unemployment payments for over 12 months, and employers are very reluctant to employ a person lacking recent job experience.



Source: FACS (2004), Portfolio Budget Statement, Centrelink data and ACOSS estimates

⁴ This is a conservative estimate as it does not include any Parenting Payment recipients with disabilities. It includes all DSP recipients except the 10% with part time jobs, plus 55,000 NSA and YA recipients.

⁵ FACS 2002, Welfare reform pilots.

Many of these recipients lack the education and skills employers want, and their unemployment rates are much higher than the national average:

- Over 60% of jobless Parenting Payment recipients, 63% of people with disabilities, and 50-60% of long-term unemployed people have no more than a year 10 education, compared with 35% of all people of workforce age⁶.
- The unemployment rate among people with disabilities is around 10%, for sole parents around 10%, and for indigenous people around 43%, well above the national average of around 6%⁷.

For more data on workforce barriers of jobless parents, mature age people and long term unemployed people, see the Attachment.

The main problem is that work is still hard to get, not that people do not want to look for it.

There is no convincing evidence that many people want to stay on social security to avoid work:

- Newstart Allowance recipients live on just \$200 per week and would double their income by working fulltime on the minimum wage
- Newstart recipients are rigorously work tested - they have to look for up to 10 jobs a fortnight and prove it, and participate in the Job Network and Work for the Dole, among many other requirements (see box below)

Activity test requirements for Newstart Allowance recipients include:

- Sign a Preparing for Work Agreement and register with a Job Network provider as soon as they claim Newstart.
- Search for up to 10 jobs a fortnight and list them on Centrelink forms.
- List job search efforts in a job seeker diary.
- Participate in a 3 week full time Job Search Training course after 3 months.
- Participate in 6 months' Work for the Dole (or work part time or do voluntary work) after 6 months, then every year thereafter.
- Participate in Job Network Customised Assistance (including intensive job search and other programs) after 12 months.

⁶ FACS Annual Report 2003-04; FACS 2002, Welfare reform pilots, ABS (2003) Disability ageing and carers; Borland & Kennedy (2000) Dimensions and structure of Australian unemployment in RBA (2000) *Unemployment*. ABS (2002), *Australia's social trends*.

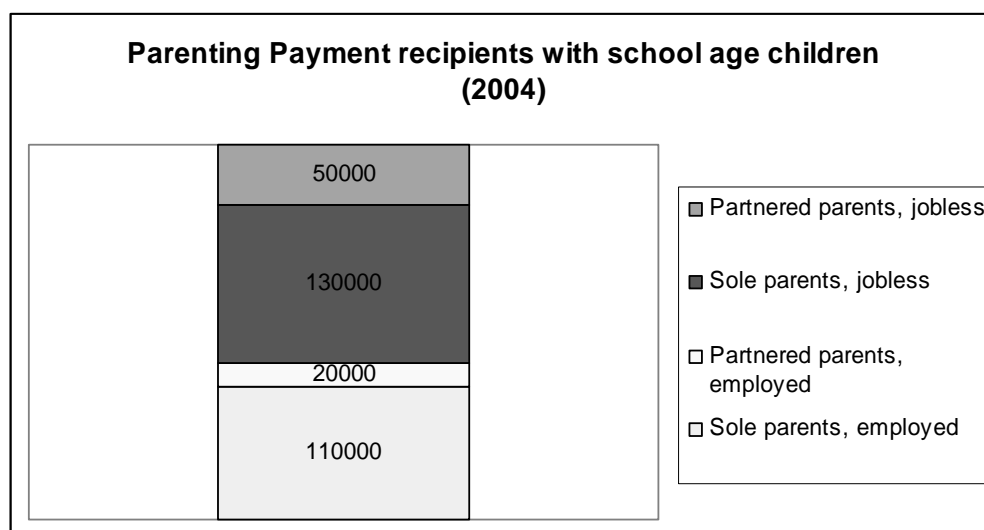
⁷ Indigenous estimate includes CDEP participants as unemployed – see Altman et al 2005 *Policy issues for CDEP in rural and remote Australia*, CAEPR. Other sources ABS (2004) *Australian Labour Market Statistics*, ABS (2003) *Disability ageing and carers*.

- People on Newstart Allowance are twice as likely as people with jobs to suffer from depression (13%) or anxiety disorders (17%). Parenting payment recipients are three times as likely as people with jobs to suffer from depression (20%) or anxiety disorders (30%). These people are hardly 'living it up on welfare'⁸.
- The vast majority of sole parents are caring for a child alone because they have separated from their partner, not because they had a child alone. Only 5% of sole parents are under 24 years old⁹.
- No evidence has been presented to back claims that many DSP recipients have only 'modest' disabilities. The medical tests for the pension are tough. Contrary to claims that the ranks of DSP recipients are swelling with 'older men with bad backs', the fastest growing recipient groups are mature age women and younger men (see ACOSS 2005, *DSP Myths and facts*).

So the problem is not that people don't want to look for work. Simply requiring recipients to look for work is unlikely to make much difference to their job prospects. They need help to overcome a number of workforce barriers.

Half of Parenting Payment (Single) recipients with older children are employed, but the half who remain jobless face problems getting work

The Government is specifically targeting Parenting Payment recipients whose youngest child is over 5 years, to require them to look for part or full time employment (see below). There are over 300,000 of these recipients of whom around 250,000 are sole parents (on *Parenting Payment Single*) and the other 70,000 are partners of jobless people or low wage earners (on *Parenting Payment Partnered*). – see graph below.



Source: FACS (2004), Portfolio Budget Statement, Centrelink, and ACOSS estimates

⁸ Butterworth 2003, *Estimating the prevalence of mental disorders among income support recipients*, research commissioned and published by FACS.

⁹ ABS 2003, Family Characteristics.

Of the 240,000 sole parents with school age children, almost half are already employed. The main problem for most of this group is progressing from insecure part time work to a full time job¹⁰.

- Even if these sole parents get a full time job, most will remain on the payment because the income test allows recipients to earn up to \$35,000 before losing the payment. Few sole parents earn more than this, and this is a major reason why over 90% of sole parents receive Parenting Payment.
- However, the 130,000 Parenting Payment (Single) recipients and 50,000 Parenting Payment (Partnered) recipients with older children *who don't have a job* are much more likely to face barriers to employment like lack of child care, limited education or a disability.
- Many – for example those with a disabled child and victims of domestic violence, will not be in a position to look for employment at this time. Most of the others will require substantial training and other labour market assistance to return to employment after a long period of absence.

Child care and workplace flexibility are major workforce barriers for Parenting Payment recipients, especially sole parents

Most Parenting Payment recipients want to obtain employment, consistent with their caring responsibilities.

Most Parenting Payment recipients, including the 200,000 or so jobless recipients with school age children, will need help with child care before they can train or look for work effectively. It is not realistic to expect them to find even part time work that conveniently fits with school hours. The kind of part time work available to recipients is likely to be casual work where the employer dictates the hours, and they often vary from week to week. Parents with high school age children have to be available within a reasonable time after school to effectively supervise their children. This is especially important in many disadvantaged neighbourhoods where parents worry about their young people getting into trouble with the law or with other young people.

Sole parents with large families face a greater barrier to employment. Hence their employment rates are lower than those of sole parents with one or two children.

The *overall number* of subsidised after school care places available in Australia in 2002 was 117,000. Since then the Government has expanded the number of funded places by 40,000 to soak up heavy demand. If up to 200,000 jobless parents are required to look for work, this is likely to place a lot of strain on the available child care services. Even if the Government dramatically increases funding for before and after school care and vacation care, it is unlikely to be able to expand these services

¹⁰ Note that while the overall numbers of Parenting Payment recipients by age of youngest child are accurate, we have had to estimate the proportions of recipients currently employed, based on published ABS and FACS data, given the paucity of up to date published data on the employment status of recipients. The proportion of sole parents employed full time has fallen since the late 1980s despite strong growth in the incidence of part time employment. See Gray et al (2002) *Changes in the labour force status of lone and couple mothers*. AIFS.

again in a hurry. The reasons for this are a serious shortage of qualified child care workers, and the fact that these services don't exist in many country areas, so they would have to be started from scratch, including buildings and equipment.¹¹

Another major problem for jobless parents is the cost of child care. The average 'gap fee' (the gap between Child Care Benefit and the fees charged) for a weeks' before and after school care for a low income family is about \$40 per week. People simply can't afford this on social security payments, and child care fees rise sharply every year. Help with child care costs above and beyond Child Care Benefit is theoretically available through the JET program, but less than 10,000 Parenting Payment recipients receive it.

Most people with disabilities can work and want to work but they need a lot more help from the Government and a fair go from employers

The vast majority of people with disabilities want to work, and could do so in the right environment, with the right support.

But most employers don't want to employ people with disabilities, such as back injuries, sensory disabilities, developmental disabilities and mental health problems. This partly reflects a pervasive culture of discrimination (which also affects mature age job seekers). It also reflects the additional costs faced by employers in many cases, for example:

- To modify workplaces to employ people with wheelchairs
- To engage relief workers when a person with a psychiatric problem has an 'episode'
- To take account of the lower productivity of many people with developmental disabilities.

People with disabilities themselves face many extra costs if they want to work. Examples include higher costs for travel to work, more medications, and physiotherapy.

Employers and people with disabilities receive too little help with these costs. This contributes to a reluctance to employ, and disincentives to work.

Most social security recipients with disabilities need rehabilitation or employment assistance to prepare them for work, help them find it, and often to support them in employment. This is provided by specialised services such as Open Employment services and CRS Australia, and by the Job Network.

¹¹ The number of after school hours care places in 2001 was 104,652, the number of before hours care places was 47,073, and the number of vacation care places was 78,786 (Answer to Senate Community Affairs Committee Estimates question, June 2003). We focus on after school hours care places because these are the most commonly used. It can be misleading to add the number of places in all forms of outside school hours care because the same children often need all three forms of care.

As indicated above, the Job Network lacks the resources to properly service many people with disabilities. But places in the better funded Open Employment and CRS services are capped to contain costs. So there are often long waits for assistance.

As a result, only 6% of Disability Support Pensioners get help from an employment assistance program, and many are not even aware of the existence of these services.

Indigenous people are largely excluded from mainstream jobs

The unemployment rate among indigenous people stands at 23% or 43% if CDEP project (indigenous work for the dole) participants are included. In very remote areas it averages 75%¹².

Of around 250,000 indigenous people of workforce age, about half (135,000) participate in the labour force, but in most cases their hold on employment, if any, is tenuous. Around 30,000 are officially unemployed and another 30,000 participate in CDEP.

In remote areas, employment options outside CDEP are minimal. Around two thirds of jobs in these areas have been created through the CDEP program, generally in providing basic services for the local communities.

In cities and towns there are more jobs available but most employers are reluctant to employ indigenous people. In addition, few indigenous job seekers have marketable skills for mainstream employment. Only about one third of aboriginal people have qualifications beyond year 10.

In addition, many indigenous people have serious health problems and many indigenous communities have serious social problems. For example one in five unemployed indigenous people report poor health, one in three was arrested in the last 5 years, and more than one in three has been a victim of violence.

The Government has established employment programs specifically to help overcome barriers to employment faced by many indigenous people. They include programs which many other long term unemployed people would benefit from, such as a wage subsidy scheme, a program to encourage large employers to employ indigenous people, and temporary employment and skills training in fully subsidised jobs. These programs have met with some success, but they are small in scale, assisting around 10,000 people each year.

The CDEP is the largest single employment program for indigenous people. Its strengths include the development of work skills, provision of essential community services, and greater community harmony and cohesion (than would be the case if most adults in a community were idle). Its main problem is that the jobs are not mainstream jobs, they are paid at the level of the dole, and many people who could potentially get mainstream employment (especially those outside remote communities) have adjusted to life on CDEP instead.

¹² Data in this part are from CAEPR 2005, Policy issues for CDEP in rural and remote Australia, ABS Year Book Australia (2004) and ATSIIC Annual report, Statistical portrait of indigenous Australia.

The Government is reviewing CDEP and encouraging communities to resolve their social problems and prepare their jobless people for open employment. The basic idea is to build bridges between CDEP and open employment where possible.

This approach is sound, but community goodwill could be undermined by the paternalistic approach being taken by the Government, especially in its 'Shared Responsibility Agreements' with indigenous communities. In these agreements, community leaders agree to regulate and change social behaviour in return for financial assistance from Government. Although the required changes in behaviour are negotiated in a flexible way with community leaders, this smacks of paternalism. This begs the question of how such agreement will be enforced, and by whom. The experience with reserves and missions shows that the paternalistic approach to improving the lives of indigenous people, however well intentioned, will not work.

3. Flaws in the employment assistance and social security systems

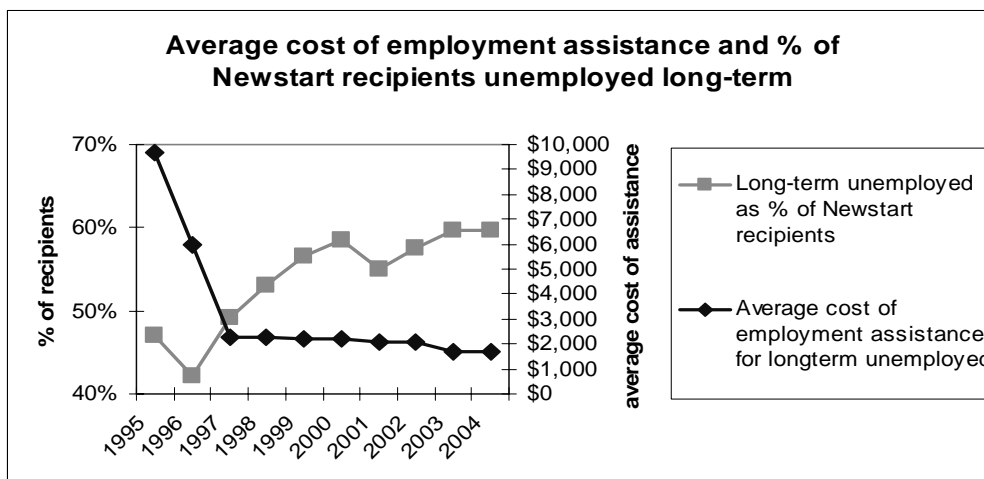
The Government invests too little in employment assistance

To make real progress in getting people from welfare to work, the Government must invest more resources in better employment assistance and other services including child care, and work with employers to encourage them to take on the most disadvantaged jobless people.

The Government's 'signature' employment programs are the Job Network and Work for the Dole. These are much less expensive than previous employment programs that offered more substantial help to overcome workforce barriers, such as the subsidised jobs for six months or further education and training offered in the Working Nation package in the mid 1990s. The Government saved over a billion dollars a year by replacing these programs with the Job Network.

Overall, the Government spends an average of less than \$2,000 per Job Network client (including for interviews, service administration, and job outcome payments), well below the average spent on each long term unemployed person in the mid 1990s. Yet since the mid 1990s, a growing proportion of the people assisted by Job Network are unemployed long term, indicating that they face major barriers to employment (see graph below)¹³.

¹³ These estimates of average costs are from a response to questions asked by the Senate's Employment and Workplace Relations Committee in Estimates hearings in May 2004.



Source: FACS Labour market payments, DEETYA/DEWR, Job Network evaluations in 2000 and 2002; DEWR, Labour market assistance outcomes, O'Neill 1999, *Changes to employment assistance*, Parliamentary Library; DEWR Annual reports.

The Government argues that the Job Network is cheaper because it is achieving job outcomes more efficiently. The Job Network has strengths, especially the flexibility for providers to provide whatever assistance will help people into jobs and the fact that providers are paid according to the job outcomes they achieve. But there are long standing concerns that too little help was being provided to long term unemployed people to overcome barriers to employment¹⁴.

In response to these concerns, the Government introduced an important innovation in the latest funding round - the Job Seeker Account. The account can be drawn down by providers to pay for assistance like training or relocation assistance to help each long term unemployed person overcome barriers to employment. But the average value of the account for each long term unemployed jobseeker is around \$1,000. That is insufficient to buy the training and other support disadvantaged people need. Nor will it buy a wage subsidy generous enough to encourage employers to give them six months or so of temporary work to improve their future job prospects.

As a result, long term unemployed people still aren't getting the help they need to prepare them for work and to encourage employers to give them a chance. Only 26% of long term unemployed people got jobs lasting 13 weeks or more after participating in the Job Network's *Intensive Support* regime last year¹⁵. Although more got temporary jobs, many of those jobs were not sustained.

Although the Government is now 'marketing' Job Network for people with disabilities, our concern is that many providers will lack the resources and appropriately trained staff to assist people with disabilities effectively. In a recent pilot scheme for people with disabilities in the Job Network, only 53 out of 790 participants (less than 10%) got ongoing full time employment after 10 months.

Work for the Dole is not an employment program. Getting people into real jobs is not one of the program's official objectives. For this reason, and because most of the

¹⁴ ACOSS (2003) *The obligation is mutual*; Productivity Commission (2003), *Independent review of the Job Network*.

¹⁵ DEWR response to Senate Estimates question, April 2005.

work experience gained is outside of mainstream employment (and participants are not engaged as employees in a real job), it has poor employment outcomes. Only 25% of long term unemployed people get a job after Work for the Dole, and many of these jobs are only temporary. There is evidence to suggest that this program *reduces* people's job prospects by reducing people's efforts to find a real job¹⁶.

Both Job Network and Work for the Dole are affected by the Government's increasingly strident emphasis on enforcing activity requirements.

Ensuring that people comply with work tests is important but if it becomes a program's main focus it will detract from the service providers' ability to establish a good relationship with their clients and help them into work. A growing proportion of Job Network providers' time is already taken up with administering work tests and related 'red tape'.

Work for the Dole was conceived as a 'compliance' program. Although most providers try to make the work interesting and useful in terms of future employment, it was originally designed to make life on unemployment payments less attractive and to make it harder for people to claim payments while working in undeclared jobs.

Proposed changes (see below) will dramatically reinforce and extend this one sided emphasis on compliance at the expense of positive help for people to get a job.

The social security system is complex and unfair

There are 15 separate social security payments for people of workforce age, many of them paid at different rates.

These payments generally fall into two classes, *pensions* for people who are supposedly unable to work and *allowances* for people who supposedly are. Allowances are much lower than pensions and are paid under more stringent conditions (see table below):

- Allowances are \$40 per week less than pensions for single adults and \$20 per week less for married adults, and they come with inferior 'concessions'.
- Allowances have a tougher income test, clawing back 70 cents in every dollar of earnings compared with 40 cents for pensions.
- Allowances have much tougher activity requirements (such as looking for up to 10 jobs a fortnight).

¹⁶ DEWR 2005, *Labour market assistance outcomes*; Borland & Tseng (2004), *Does Work for the Dole Work?* Melbourne Institute Working Paper 14/4.

Comparison of Pensions and Newstart Allowance (March 2005)			
	Pension (including DSP and PPS)	Allowance (including Newstart Allowance and PPP)	Difference between Allowance and Pension
Rate of payment:	\$235 per week (single) \$197 per week (partnered)	\$197 per week (single) \$178 per week (partnered)	\$38 per week (single) \$19 per week (partnered)
Concessions¹⁷:			Up to \$2,000 per year
Pharmaceutical Allowance	YES (\$2-3 p.w.)	Only if medical certificate provided	
Cheaper drugs under the PBS	YES	YES	
Telephone Allowance	YES (\$2 p.w.)	NO	
Public transport discounts	YES	Less or no discounts in most States	
Utility bill discounts	YES	NO (in most states)	
Income test:	Lose 40 cents in the dollar for earnings above \$61 per week	Lose 70 cents in the dollar for earnings above \$71 per week	\$64 per week (single) or \$61 per week (partnered) if earning \$100 per week
Activity requirements:	NONE	Must actively seek work and participate in programs like Work for the Dole, unless granted an exemption	

These anomalies between pensions and allowances are unfair. They also encourage people to prove that they are unable to work in order to get onto pensions. This sends the wrong message:

- For example many people on disability pensions want to work and resent being 'written off' on the pension. On the other hand, over 50,000 people on Newstart Allowance have been assessed as having a disability.

The Government's Reference Group on Welfare Reform, in the *McClure Report* (see below) recommended sweeping changes to simplify the system, make it fairer, and remove these work disincentives. It proposed:

- a common base payment and add ons to take account of family size
- supplements to assist with special costs faced by many recipients, such as high private rents and the costs associated with disability
- supplements to assist with the cost of participating in job search, training and paid work.

¹⁷ Concessions available to Pensioner Concession Card holders (pensioners) compared with Health Care Card holders (Allowance recipients). Note that many concessions vary from State to State.

In 2002 the Government issued a discussion paper called *Building a Simpler System* on reform of income support for people of workforce age, but no substantive action has been taken. These long overdue reforms seem to have been placed in the 'too hard basket'.

But doing nothing is costly. A major problem is that, due to the different ways in which pensions and allowances are indexed, the gap between these payments will grow dramatically over future years. The productivity Commission estimates that the single rate of pension will be worth *double* the rate of Newstart Allowance in 30 years time¹⁸.

Another serious anomaly within the system is that income support for sole parent families falls sharply when their youngest child reaches 16 years. Many sole parent families lose over \$70 per week overall at this time due to the need to transfer from Parenting Payment to the lower Newstart Allowance, and the loss of Rent Assistance in respect of their children. The young person gets a Youth Allowance at this time in place of Family Tax Benefit, but the family is \$70 pw worse off overall. Their income support falls just at the time when the cost of supporting their children rises substantially, in the later teenage years.

Penalties for breaching the activity test are too severe

People who breach the activity test, for example by failing to attend an interview or program, or not seeking the required number of jobs, face harsh penalties well in excess of the 'crime' they have committed. Indeed, the fines imposed are harsher than for many criminal offences. (see table below).

Breach penalties (April 2005)

Number of breaches	Penalty	Overall fine for NSA recipient	Overall fine for PPS recipient	Overall fine for PPP recipient
1 st	18% of payment for 26 weeks	\$936	\$1,114	\$842
2 nd	24% of payment for 26 weeks	\$1,248	\$1,485	\$1,123
3 rd or more	No payment for 8 weeks	\$1,600	\$1,904	\$1,440

The cost of working is prohibitive for many recipients

The social security system also imposes many financial disincentives to work. These include:

¹⁸ Productivity Commission (2005), Economic affects of population ageing.

- a \$20 to \$40 per week drop in payments when people with disabilities who are assessed as able to work full time move from DSP to Newstart Allowance
- a loss of 70 cents for every dollar of earnings above \$71 per week, under the severe Newstart Allowance income test
- effective marginal tax rates of 70% or more where the same family receives a number of child and youth payments subject to parental income tests (for example Family Tax Benefit and Youth Allowance).

The system also fails to adequately assist people to cover the basic costs of job search, training and employment. This in itself discourages many from looking for work:

- For example, many people with disabilities face steep costs when they start working, including taxi fares for people using wheelchairs, and extra medication for people with mental illness. The McClure Report proposed a Disability Supplement to help with these costs, which would continue once people with disabilities obtain a full time job.
- Until recently, Job Network providers could use the Government's Job Seeker Account to assist unemployed people with fares or fuel to get to job interviews or to start work. However, last month the Minister restricted this. Providers can only subsidise fares where the job seeker would otherwise pay more than 10% of their Newstart Allowance each trip. This implies that the Government would expect people to spend up to their entire income support payment travelling to look for work, if they were to attend ten job interviews in a fortnight¹⁹.

It is unfair and counterproductive to require people to look for work or train, while denying them the financial resources they need to meet these requirements.

4. The Government's welfare reform agenda

The Government's welfare reform agenda has changed significantly this year.

In 2000 the Government's *Welfare Reform Reference Group* published the *McLure Report*. The key elements of its proposed welfare reform package were:

- Payments, employment assistance, and activity requirements to be more responsive to individual needs.
- A simpler and fairer income support system with a common base rate and add-ons to reflect different needs– no distinction between pensions and allowances.
- Better incentives to work and financial help with the costs involved.

¹⁹ Letter to Job Network providers from DEWR, 30 March 2005.

- Obligations to look for work or participate in programs extended to more recipients, but penalties to be used as a last resort.

This reform agenda was broadly supported in the community sector, and by ACOSS. It followed intensive consultation over two years with community organisations.

The Government implemented some modest changes in 2003 in its *Australians Working Together* package. This required many Parenting Payment recipients and mature age unemployed people to undertake part time work or voluntary activity, expanded employment programs, and introduced a Working Credit to ease income tests for casual work.

In 2003 it also released a discussion paper, *Building A Simpler System* which proposed to do away with the outdated distinction between *pensions* for people 'unable to work' and *allowances* (like Newstart) for those who can. All recipients would receive a common base payment, with supplements for costs such as rent, the costs of a disability, or the costs of workforce participation. A similar model is being implemented in New Zealand, based on the *McClure Report's* proposals.

However, progress on these reforms stalled through 2003 and 2004. If the economy turns down, this could prove a costly delay. The present round of social security changes would then be implemented against a backdrop of rising unemployment.

In its forthcoming welfare package, there are indications that the Government will take a number of positive steps to improve people's future employment prospects, including:

- More investment in employment assistance, including specialised help for people with disabilities.
- More child care places and subsidies for parents looking for work.
- The possibility of wage and other subsidies to encourage employers to take on disadvantaged job seekers.
- An easing of income tests to encourage recipients to work part time.

However, current indications are that the package will tilt the balance away from the even handed emphasis on the obligations of both Government and recipients in the *McClure Report*, towards a one-sided focus on the obligations of recipients:

- So far, there is a strong emphasis on new requirements for parents and people with disabilities, but much less emphasis on the supports required to help people get a job.
- Instead of reforming the social security system to remove anomalies between different payments and simplify the system, the Government proposes to divert large numbers of people with disabilities from higher payments to lower ones, and possibly to introduce yet another level of payment into the system – a lower rate of payment for many pensioners.

- Instead of using penalties as a last resort, it proposes to intensify work requirements for many long-term unemployed people and to make people Work for the Dole for 10 months on less than minimum wages as a penalty for non compliance.

Likely effects on people with disabilities

If the Government implements changes along the lines of its previously rejected *Disability Reform Bill*, and other changes foreshadowed in media reports, then people with disabilities would be affected in the following ways:²⁰

- Denial of the DSP to *future applicants* assessed as able to work part time.
 - We estimate that over the next 3 years, 60,000 people with disabilities would receive the Newstart and other Allowances instead of the DSP, at a cost to them of \$20 to \$40 per week in payments if they don't have work, or over \$100 in many cases if they work part time (due to the tougher Newstart income test).
 - They would also miss out on pensioner concessions.
 - This group could also be required to seek employment and participate in programs such as Job Network and Work for the Dole.
 - It is unlikely that existing recipients would be directly affected by this change.
- The possibility of a special lower rate of pension in future for *existing DSP recipients* assessed as able to work part time.
 - Their pension may only be indexed to the CPI, not to average wages as at present. We estimate that over the next 3 years, an additional 64,000 people with disabilities could be affected.
 - They could lose around \$10 per week over the next three years, almost 5% of their pension ²¹.
- Expansion of employment assistance
 - The Government previously flagged an additional 60,000 places in Job Network and specialist programs for people with disabilities, mainly for future DSP applicants who end up on Newstart Allowance due to the above changes.
- Wage subsidies or other incentives to encourage employers to engage people with disabilities.

²⁰ For more detail, see ACOSS 2005, *Effects of possible changes to the Disability Support Pension*. Estimates of numbers affected are from answers to Senate Estimates questions.

²¹ This estimate is based on growth in average male total wages (to which pensions are now indexed) of 4.0% per year and average inflation of 2.5% per year. The single rate of pension is currently \$238 per week. Estimated numbers of DSP recipients affected are based on responses to questions from the Senate Community Affairs Committee in Estimates hearings in 2002.

- Allowing DSP recipients to keep their concession cards longer when they get a job to encourage them to look to work.

Likely effects on Parenting Payment recipients

Based on media reports, the following changes are likely to affect Parenting Payment recipients.

- Expansion of employment assistance, especially Job Network
 - It should be kept in mind that many Parenting Payment recipients need further education and retraining to gain a foothold in the jobs market after many years out of employment, given their relatively low average education levels, so resources for Job Network providers would have to increase accordingly.
- Expansion of outside school hours care services and child care subsidies for Parenting Payment recipients.
 - This depends on the capacity of the child care system to absorb the extra places, as well as the level of Government investment.
- Requiring them to seek part time work when their youngest child reaches 6 years, and full time work when they reach 13 years, and to participate in Job Network and Work for the Dole.
 - We estimate that 300,000 recipients (of whom almost 200,000 are currently jobless) would be required to seek work or train. This group comprises 230,000 sole parents and 70,000 partnered parents.
- The possibility of a special lower rate of pension (as for some DSP recipients – see above) for sole parents whose youngest child is over 5 years old, if the Government extends the proposed lower rate of pension to Parenting Payment Single recipients who are considered ‘able to work’.
 - Almost 250,000 sole parents could lose \$10 per week (almost 5% of their Parenting Payment) after three years

Likely effects on Newstart Allowance recipients

Based on media reports, the following changes are likely to affect Newstart Allowance recipients.

- The possible introduction of wage subsidies to encourage employers to give long term unemployed people either temporary or ongoing employment.
 - If the subsidies were adequate and well targeted and administered, this could make a big difference to their employment prospects.

- A possible increase in payments to Job Network providers who achieve job outcomes for long term unemployed people.
 - This is essential to encourage providers to invest the necessary resources in helping them overcome barriers to employment.
- Identifying three groups of long term Newstart recipients – those genuinely looking for work, a middle group, and ‘job avoiders’ – and applying tougher activity requirements to the third group.
 - The Government’s estimates of the number of ‘job avoiders’ have varied from 10 to 20 per cent, but none is backed by solid evidence. Most community organisations working in the field believe the proportion of recipients persistently avoiding work is very low.
 - An estimated 25,000 ‘job avoiders’ would be required to participate in Work for the Dole for 25 hours a week for 10 months instead of 15 hours a week for 6 months. This means that they would be paid at a rate (around \$8 per hour) that is just two thirds of the legal minimum wage.
 - It is not known how many would be affected, but it would be very difficult to design a fair and consistent test to identify these three ‘groups’. Many could be disadvantaged simply because they don’t have a good relationship with their Job Network provider or Centrelink.
- Shifting responsibility for aspects of the Newstart Allowance activity test from Centrelink (the Government agency that pays the benefit) to non-Government Job Network providers.
 - This could mean that Job Network providers are required to suspend payments or even ultimately to impose breach penalties on recipients. This is a dangerous precedent because it shifts responsibility for social security payments away from a Government agency to services that are not directly accountable to Government in the same way (for example, to make decisions that are fair and nationally consistent, and to give people ‘natural justice’)
 - Already, six out of seven breach recommendations proposed by Job Network providers for alleged failure to meet activity requirements (e.g. attend an interview) are turned down by Centrelink once its officers hear the recipient’s side of the story. This is an important protection for recipients.

Likely effects on indigenous people

Indigenous people would be affected by all of the elements of the package, as they have a high incidence of disability, sole parenthood and long term joblessness.

- Improvements in employment assistance would help them secure mainstream jobs, but this would have to be supplemented by action specifically directed towards indigenous job seekers and their potential employers, especially action to overcome discrimination in employment and an expansion of the Indigenous Employment Strategy.

- Any extension or tightening of the breach and penalty regime would particularly affect indigenous people as they are much more likely than other Newstart Allowance recipients to be breached.²²
- The effect of changes to the CDEP, which are separate from the budget welfare reform package, will depend on the degree of investment in better employment assistance in regions where there are mainstream job opportunities, and the shape of the proposed Shared Responsibility Agreements.

Other likely changes affecting all workforce age recipients

The Government has indicated it is considering a number of changes that would affect all of the above groups of recipients, including:

- Restricting access to the independent Social Security Appeals Tribunal.
 - This would remove a simple, fair and inexpensive form of redress for people who have been unfairly treated by Centrelink.
- Easing of some income tests to encourage employment.
 - This is especially important for Newstart Allowances recipients, who currently lose over 70 cents off their payment for every additional dollar earned above \$71 per week.

Cost of the package

It is not widely understood that welfare reform that improves people's employment prospects carries a substantial price tag. It will cost the Government money, rather than saving money in the short term. However, a strong investment in employment assistance, encouragements to employers to engage disadvantaged job seekers, and support services such as child care will yield benefits in future both for recipients and the Government. It will help people who might otherwise rely on income support for many years to get secure employment and leave the social security system.

At this stage, the Government proposes to extend existing employment assistance and support services and the Centrelink activity testing regime to another 360,000 people (300,000 parents and 60,000 people with disabilities), of whom 250,000 are currently jobless (200,000 parents and 50,000 people with disabilities). Given the numbers involved, this is an expensive exercise, *even if there is no increase in the unit cost of these services and hence no substantial improvement in the quality and intensity of assistance offered.*

We estimate that simply expanding existing services to accommodate these 'newly activity tested' recipients would cost *around \$800 million dollars per year* once the new system is fully up and running (in about three years' time). However, we emphasise

²² Sanders 1999, *Unemployment payments the activity test and indigenous Australians*. CAEPR Research Monograph 15.

that this is base line or minimal costing *that does not imply that recipients will get the help they need to overcome their barriers to work*. We refer to this as a *minimalist employment assistance package*²³.

The main reason for the high cost is the number of people who would receive these services. To put this into perspective, the extra cost per person assisted is less than \$3,000²⁴.

However, the Government has signalled its intention to improve the level of investment in each job seeker to boost their employment prospects. It has, for example flagged wage subsidies to encourage employers to take on people with disabilities and long term unemployed people, expansion of child care subsidies, and an easing of income tests and extension of eligibility for pensioner concession cards to encourage people to look for part time work. We welcome these indications of additional investment in employment and other supports, because without them the welfare reform package will have little overall impact on their job prospects.

We estimate that an *adequate employment assistance package*, one that substantially improves the job prospects of disadvantaged job seekers, would cost about twice this amount or around \$1,600 million per year. Such a package would include wage subsidies and other employer incentives, further education and training, additional child care subsidies to reduce gap fees, and more expensive but effective specialist employment services for people with disabilities.

So the overall cost of an *adequate employment assistance package* would be approximately \$2 billion per year²⁵.

On the other hand, the Government is likely to *save around \$760 million* from the cuts in payments described above. In effect, many recipients will ultimately pay for their own employment and other supports to help them get work.

These savings come from:

- An estimated 60,000 people with disabilities who apply for DSP but receive the lower Newstart Allowance instead (saving: \$600 million).
- An estimated 65,000 existing DSP recipients whose pensions are indexed to the CPI only, instead of average wages (saving \$35 million).
- An estimated 250,000 existing DSP recipients whose pensions are indexed to the CPI only, instead of average wages (saving \$130 million).

These savings almost offset the cost of the *minimal* employment assistance package.

²³ This estimate includes Job Network, Work for the Dole and Personal Support Program places, Child Care Benefit for those needing child care (but no JET subsidies), and the cost of assessing eligibility (especially for people with disabilities) and administering the new activity tests. It is conservative in that it assumes that many are exempted from activity tests (for example on disability grounds) and takes account of a minority who would get a full time job and go off payments. The largest single component of this cost is additional Job Network places.

²⁴ We estimate that the number of people assisted through each year is around 300,000, significantly higher than the 250,000 jobless people identified above, despite activity test exemptions and a small proportion who find full time work. The reason for this is that the overall number of people assisted through each year is greater than the average number helped at any point in time.

²⁵ If key changes to the social security system proposed by ACOSS (see below) were also phased in, the overall cost would be over \$2 billion per year.

Thus, the overall cost of the package could be as low as around \$50 million per year or as much as one and a half billion dollars per year (see table below):

- If it lies at the bottom end of this range, this would indicate that large numbers of recipients are going to be financially worse off, and that the extra investment in employment assistance won't make much of a difference to their future job prospects.
- In order to ensure that a substantial number of recipients is better off (through gaining secure employment) and that no one is financially worse off, the Government would have to spend around one and half billion dollars (and this does not include any of the necessary reforms to the social security payment system – see below).

The cost of welfare reform

Item	Description	Estimated cost ²⁶ (\$ millions per year)
Minimal employment assistance package	Existing Job Network and Work for the Dole regimes, activity testing and assessment, child care places (CCB only)	\$800 million
Adequate employment assistance package	The above plus wage subsidies, further education and training, JET child care subsidies, expand specialist services for people with disabilities	\$2 billion
Payment reductions: (1) future DSP applicants (2) existing DSP and Parenting Allowance recipients	(1) future applicants get NSA instead of DSP (2) slower indexation of pensions for many existing DSP and Parenting Allowance recipients	\$760 million: \$600 million plus \$160 million
Overall cost (minimal package with payment reductions)		\$40 million
Overall cost (adequate package with no payment reductions)		\$2 billion

5. A fair and effective approach

Fair and effective welfare reform would:

- invest in employment and other supports to help jobless people overcome work barriers
- simplify the social security system for people of workforce age to reduce hardship, and remove anomalies and disincentives to employment

²⁶ Per year, once the new regime is fully operational, ie by the third year.

- maintain and strengthen protections in the social security system against unfair decision making, including unreasonable activity requirements, breaches and penalties.

Any extension of activity requirements to new groups of recipients should only be considered in this context.

More help to get work

The following changes are needed to improve the employment prospects of social security recipients who are disadvantaged in the labour market:

- Substantially increase the resources available to employment assistance providers (including Job Network providers through the Job Seeker Account) to assist long term and disadvantaged unemployed people into work, including:
 - wage subsidies (for example up to half an award wage for 6 months paid employment experience)
 - temporary subsidised jobs in the community and public sectors for more disadvantaged job seekers with very limited recent work experience
 - pre-vocational and vocational training
 - relocation assistance where appropriate.
- Work with employers and employer organisations to identify and overcome their barriers to employment of disadvantaged job seekers including people with disabilities and mature age jobless people:
 - including through partnerships between employers and employment assistance providers, wage subsidies, assistance with extra costs such as workplace modification and relief workers, and anti discrimination campaigns.
- Remove the expenditure caps on specialist employment programs for people with disabilities – *Open Employment* and *CRS*.
- Expand the Personal Support Program for people with personal and social barriers to employment and introduce a Participant Account along the lines of the Job Seeker Account in the Job Network.
- Increase funding for CDEP projects and their participants to the same level as for Work for the Dole and better integrate Indigenous Employment Centres with mainstream employment assistance programs while maintaining the dual focus of CDEP on employment and community development.
- Expand outside school hours care services to meet the needs of Parenting Payment recipients seeking employment and training, and extend JET child care subsidies as an entitlement for these recipients.

- Ease restrictions on the use of Job Seeker Accounts by Job Network providers to help unemployed people with the costs of transport to jobs and job interviews.

A fairer and simpler social security system

The following income support changes are needed to reduce hardship, remove unfair anomalies in rates and conditions of payment between different groups of recipients, and to encourage and support workforce participation:

- Progressively close the payment gap between allowances (including Newstart Allowance and Austudy) and pensions without leaving any recipients worse off:
 - That is, payments should be levelled up, not levelled down.
- Eliminate the drop in family income when the youngest child in a sole parent family reaches 16 years of age by increasing Youth Allowance for 16 to 17 year old dependent young people and extending Rent Assistance to this group.
- Consult widely with the disability and community sectors over the development of a Costs of Disability Allowance to assist people with disabilities to participate in employment and community life.
- Allow Disability Support Pension recipients to keep pensioner concessions for longer if they go off the pension and obtain a full time job.
- Ease the 70 cents in the dollar taper on the Allowance income test.
- Reduce the high effective marginal tax rates arising from the 'stacking' of family income tests for child and youth payments (such as Family Tax Benefit and Youth Allowance).
- Introduce *Participation Supplements* and extend pensioner telephone and transport concessions to allowance recipients, to assist jobless people with the direct costs of employment and training.

A secure income and reasonable and relevant activity requirements

Requirements to look for work or participate in programs should not be extended to people with disabilities and parents unless the Government:

- can demonstrate that it would improve people's job prospects and not adversely effect their children
- supports them to improve their education, skills and capacities, rather than simply requiring them to look for a job immediately
- ensures that any requirements will be relevant to individual circumstances, especially people's disabilities and the needs of their children
- ensures that they are negotiated fairly and consistently, according to principles of natural justice (including full review and appeal rights)

- eases the harsh compliance and penalty regime so that penalties are reduced and only used as a last resort; and
- makes a substantial investment in more and better employment assistance, and support services such as child care.

Protections against unfair decisions should be maintained and strengthened by:

- Reforming the 'breaches and penalties' system in accord with the Pearce Report, including a reduction in maximum non payment periods to less than eight weeks.
- Maintaining the scope, resources and format of the independent Social Security Appeals Tribunal and the internal review system within Centrelink.
- Keeping the administration of social security payments and activity tests within Centrelink to ensure national consistency in decision making and compliance with natural justice and administrative law principles.

The legislative protections underpinning the participation requirements introduced for parents and mature age job seekers in *Australians Working Together* should be retained and extended to other groups, including:

- any requirements should be averaged over a number of weeks rather than a fixed number of hours per week
- recipients should have the option to participate in education and training that would improve their future job prospects and income, rather than searching for a job immediately
- parents should be exempted from participation requirements where they have:
 - a child with a disability or chronic illness, or
 - where a critical event in the family's life, such as divorce proceedings or threat of domestic violence, would make compulsory participation unreasonable at this time
- people should be exempted where they have substantial caring responsibilities for people with disabilities or chronic illnesses
- there should be no requirements (apart from interviews) imposed during the first six months after receipt of Parenting Payment
- arrangements to waive penalties on compliance and use suspensions rather than breaches to encourage attendance should continue and be extended to all recipients.

Social security legislation should specify that any new participation requirements must be reasonable, taking account of:

- the aspirations and goals of recipients
- their employment, education and training background
- the number, ages and needs of children, including their need for parental attention and support, and family emergencies such as sick children
- access to child care and school
- other caring responsibilities
- disabilities or health problems
- instability in the family or in living arrangements
- locational factors, such as proximity to affordable transport
- the direct costs of compliance with requirements.

There should be no requirement to participate in Work for the Dole.

Attachment:

Barriers to work for jobless parents, mature age people and long term unemployed people

In September 2000, the Department of Family and Community Services (FaCS) launched three Welfare Reform Pilots, beginning with detailed interviews to ascertain the patterns of, and barriers to, workforce participation by specific disadvantaged groups. The first pilot focused on the very long-term unemployed, defined as Newstart recipients who had been on income support for more than five years; the second on mature-age people on income support (mainly Newstart Allowance, Mature Age Allowance, Partner Allowance or Widow Allowance recipients). The third pilot looked at 'workless families': participants were families with school-aged children, mainly recipients of Parenting Payment. The following table has selected a few significant measures across the three pilots, to present a basic outline of some of the disadvantages faced by the three target groups.

The figures that came out of the FaCS pilot studies provide a picture of serious hardship and long-term disadvantage. For all three groups involved, well over 60% of participants had not been schooled beyond Year 10. Health is also a significant issue amongst these groups, with substantial proportions of participants reporting an ongoing disability or medical condition, as high as 53% for the very long-term unemployed. Individuals receiving Parenting Payments will have particular barriers to participation when it comes to work history, with an average of 53% having little to no employment history due to home and family duties.

Notably, however, there is no indication that the individuals studied are unwilling to participate – 91% of the very long-term unemployed and 89% of Parenting Payment recipients said they would prefer to be working immediately or in the next 5 years, and large numbers also expressing interest in studying. This suggests that people are more than happy to participate, as long as the many barriers to their participation can be overcome.

Selected statistics from FaCS Occasional Paper Number 5 (2002): Welfare Reform Pilots	Workless Families - Parenting Payment		Very Long-Term Unemployed (per cent)	Mature Aged (per cent)
	Partnered (per cent)	Single (per cent)		
Ongoing disability or medical condition	30	27	53	47
Have or will apply for Disability Support Pension	12	12	29	18
Considers own health to be poor or fair	34	28	42	42
Highest level of education Year 10 or less	69	64	69	67
Work history has consisted mainly of home duties	53	54	7	19
Have child/ren under 12 who are never cared for by anyone other than respondent and/or their partner*	53	40	13	N/A
Not currently employed but would prefer to be	48	63	85	52
↳ Of these, percentage who cited as reason(s) for not finding preferred job:				
- Own age / too old	16	9	21	64
- Lack of transport	15	24	21	10
Not currently working but would like to in next 5 years ²⁷	35	32	6	10
Not currently studying but would like to be	36	57	44	30
↳ Of these, percentage who cited cost of course as stopping them from undertaking study	35	34	31	39
Not currently studying but would like to in next 5 years ²⁸	28	25	19	10

* Figure calculated from those provided by FACS.

²⁷ In addition to those who indicated (see above) they would prefer to be employed now.

²⁸ In addition to those who indicated (see above) they would prefer to be studying now.