



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

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## **Introduction**

The Australian Council of Social Service (ACOSS) is the peak council of the community services and welfare sector. Established in 1956, ACOSS is the national voice for the needs of people affected by poverty and inequality.

ACOSS's vision is a fair, inclusive and sustainable Australia where all individuals and communities have the resources they need to participate in and benefit from social and economic life.

The aims of ACOSS are to reduce poverty and inequality by developing and promoting socially, economically and environmentally responsible public policy and action by government, community and business while supporting non-government organisations which provide assistance to vulnerable Australians.

On 9 November 2005 the Senate referred the Employment and Workplace Relations Amendment (Welfare to Work and Other Measures) Bill 2005, and Family and Community Services Legislation Amendment (Welfare to Work) Bill 2005 to the Community Affairs Legislation Committee for inquiry with particular reference to increasing participation by, and reducing welfare dependence of parents, people with disabilities, the very long-termed unemployed and mature aged people through:

- the provision of employment services and other assistance; and
- a responsive compliance system that encourages and rewards active participation

ACOSS welcomes this opportunity to comment on aspects of the Government's Welfare to Work legislation although given the length of time for the preparation of our submission we will focus on our major concerns and recommendations in this submission. This submission should be treated as a preliminary analysis of the legislation. ACOSS will continue to analyse the Bill further for consultations with the Australian Government.

## **Executive Summary**

The Employment and Workplace Relations (Welfare to Work) Bill (referred to here as 'the Bill') aims to move more social security recipients into jobs. ACOSS supports this goal and welcomed the Government's increased investments in employment assistance and child care.

However, the Bill unnecessarily places many single parents and people with disabilities onto lower payments so they will have less to live on until they secure employment, and reduces incentives to work and study. It exposes them to harsh penalties if they fail to meet new activity requirements.

The Bill does not tailor activity requirements to the particular circumstances of people with disabilities, parents and mature age jobless people, and generally leaves too much to administrative discretion. In addition, greater investment is needed in employment assistance to be effective in moving people from welfare to work.

We would like to make mention of adverse implications of the interaction between the proposed Industrial Relations reform and the Welfare to Work Bill 2005. In this regard we have the following concerns: that recipients will be required to accept a job paying less than the relevant award rate for their skill level and that recipient will be required to accept jobs which have irregular hours which impact on family life.

## **Key concerns regarding the Employment and Workplace Relations (Welfare to Work) Bill 2005**

### **Reductions in future income support payments**

*People with disabilities* who apply for income support after June 2006 and are assessed as able to work part time ('partial capacity to work ') will no longer be able to get the Disability Support Pension ('DSP'). Government estimates indicate that 81,000 people with disability will be put on lower payments. Those without work will receive \$46 per week less than the pension and those who study full time will receive up to \$166 per week less. If they get a job for 15 hours a week at the minimum wage, their weekly disposable income will be \$99 less than if they were on DSP.

*Single parents* who apply for payments after June 2006 (including many existing recipients who leave Parenting Payment and reapply after 12 weeks) will no longer be able to get Parenting Payment once their youngest child turns 8 years. Based on Government figures and information regarding the latest changes to the package, we estimate that 80,000 single parents will instead go onto lower payments like Newstart Allowance ('NSA'). Those who remain jobless will receive \$29 per week less than the pension, and those who study full time will receive \$63 per week less. If they get a job for 15 hours a week at the minimum wage, their weekly disposable income will be \$96 less than on the pension.

The package creates disincentives to study to improve future job prospects, including a lack of Pensioner Education Supplement and/or Rent Assistance for many single parents and people with disabilities, and limited scope to meet activity requirements though education and training.

We estimate that changes to the package since the 2005 Budget announcements, particularly the increase in the age at which the youngest child no longer qualifies a parent for Parenting Payment from 6 to 8 years, the higher rates of payment for foster carers home schoolers and distance educators, and the extension of Carer Payment eligibility for parents with severely disabled children, reduce the number of families placed on lower payments by around 15,000. However, these exemptions amount to less than 10% of the overall number of people adversely affected by the original package.<sup>1</sup>

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<sup>1</sup> These changes are taken into account in the above estimates of the numbers of people financially worse off. Previous official estimates were that 95,000 single parents and 81,000 people with disabilities would go onto lower payments over the first three years of the policy.

## **Inadequate funding of employment assistance**

Employment assistance and child care services are substantially expanded to assist recipients into employment, at an average annual net cost of around \$330 million.<sup>2</sup> However, the bulk of the places available are in lower-level employment assistance such as an interview a month and a 'self service' job search. This is unlikely to remove entrenched barriers to employment such as poor education and skills, lack of recent employment experience and disability.

Evidence that there are insufficient places in 'higher level' assistance to overcome barriers to work includes:

- There are currently approximately 200,000 very long term unemployed people and approximately 50,000 who become so each year, but just 7,000 places a year in the Wage Assist program to encourage employers to take them on.
- There are 180,000 jobless parents with school age children, and approximately 30,000 who will enter the new 'activity test' regime each year. Most have Year 10 education or less, but there are only 5,000 extra places a year in vocational education and training
- There are 700,000 Disability Support Pension recipients, and approximately 20,000 people with partial incapacity who will enter the new 'activity test' regime each year, but only about 21,000 extra places over 3 years in Disability Open Employment Services, most of which are earmarked for people with disabilities on Newstart Allowance.
- Although the numbers of people seeking assistance will increase, due to a cut of \$450 million in Job Network funding announced in the Budget, 'Customised Assistance', the highest level of Job Network help, will be more strictly rationed.

## **Activity requirements and penalties**

The Government's policy intention is that activity requirements will be specially tailored for the needs of parents, people with disabilities, and mature age people, but this will only be guaranteed now and in future if it is clearly stated in the legislation.

The Bill leaves too many aspects of the activity requirements and penalty regime to 'guidelines' or administrative discretion. For example, Newstart Activity Agreements may require people to undertake '*one or more activities that the Secretary considers suitable for the person*'. On the face of it, parents and people with

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<sup>2</sup> This takes account of reductions in Job Network funding separately announced in the 2005 Budget.

partial incapacity to work could be required to seek 10 jobs a fortnight, queue at Centrelink offices every fortnight and accept a job requiring 90 minutes' travel time there and back each day – all of which are currently 'standard' Newstart Allowance requirements. If this is not the intention of policy, the Bill should make this clear.

Government commitments that requirements would be limited for some groups such as parents with large families, and those living in areas with few jobs do not appear to have been explicitly incorporated into the Bill.

On the face of it, the Bill allows employment agencies to require almost all activity tested recipients, including parents and people with disabilities, to undertake Work for the Dole for 50 hours a fortnight for an indefinite period, contrary to the stated policy intention that full time Work for the Dole would last for 10 months and that parents and people with disabilities would be excluded. If this is not the intention of policy, the Bill should be amended to clearly reflect this.

People who do not fulfill their activity requirements could have their payments suspended for up to 8 weeks, without distinguishing between relatively major *activity* breaches and relatively 'minor' *administrative* breaches as the present penalty regime does.

## **Key recommendations for legislative to the Employment and Workplace Relations (Welfare to Work) Bill 2005 to improve fairness and effectiveness**

### ***Recommendation 1.***

#### ***Maintain existing rates of payment and income tests for people with disabilities and single parents***

It is not necessary to reduce people's income support payments to get them into jobs. Single parents with 8-15 year old children and people with disabilities assessed as able to work 15-30 hours a week should continue to:

- Be paid at pension payment rates, together with Pensioner Education Supplement, Pensioner Concession Card, Pharmaceutical Allowance, Telephone Allowance, Pensioner Tax Offset, and Rent Assistance,
- Be subject to the pension income test, and not subject to the parental income test (in the case of people under 25 years),
- Not be subject to the Liquid Assets Test<sup>3</sup>

### ***Recommendation 2.***

#### ***Broaden temporary exemptions to include cases where people cannot reasonably be expected to participate***

Temporary exemptions from activity requirements for foster carers, home educators, distance educators, parents with disabled children, and domestic violence victims should apply where the recipient cannot reasonably be expected to participate on these grounds, rather than being subject to the discretion of the Secretary.

The following categories of recipients should also be listed in legislation as eligible for temporary exemptions where they cannot reasonably be expected to participate:

- the principal carer of 4 or more dependent children,
- a principal carer having separated within the last 6 months,
- people undergoing acute personal crisis such as homelessness,
- people undergoing an acute phase of an episodic or deteriorating illness or disability.

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<sup>3</sup> This applies to Newstart Allowance but not pensions. It means that if a single person applying for Newstart Allowance has liquid assets (e.g. money in the bank) of more than \$2,500 they must wait one week for their first payment for every \$1,000 of liquid assets above this amount. This is too harsh for recently separated single parents and people with disabilities.

***Recommendation 3.***

***Introduce legislative guarantees that activity requirements are relevant and reasonable***

Where ‘principal carers’ and people with ‘partial capacity to work’ are required to seek employment for 15 hours a week or more instead of a full time job, the legislation should specify that their activity requirements are ‘part time’ rather than ‘full time’.

We recommend the following changes:

- Principal carers should not be required to seek or accept employment of more than 15 hours per week (rather than a range of between 15 to 25 hours, as proposed)
- Compulsory activity requirements should not exceed the number of hours per week a principal carer or person with partial capacity to work would be required to work in a job considered suitable to them (plus reasonable travel time), or an average of this number of hours over a longer period where the recipient seeks more flexibility
- Participation in an approved labour market program, training program or course for at least the relevant number of hours a week (e.g. 15 hours a week for a principal carer) should be sufficient to meet activity requirements in full.
- Recipients with ‘part time’ activity requirements should not normally be required to lodge income statements with Centrelink on a fortnightly basis
- Principal carers, people with partial incapacity, and people at least 55 years old should not be required to seek more than 4 jobs per fortnight. <sup>4</sup>

The legislation should state that in setting activity requirements for principal carers and people with partial incapacity (including their capacity to comply with activity agreements and the suitability of a job offer), the following factors should be specifically considered:

- the needs of children with illnesses, disabilities or behavioural disorders
- the cost of child care and the suitability and convenience of local child care services
- the time constraints on principal carers in regard to working hours and travel times, and their need for regular and predictable working hours
- the extra work and travel related costs faced by people with disabilities

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<sup>4</sup> This ‘cap’ on the number of job applications presently applies to mature age NSA recipients.

- mental illness
- episodic or deteriorating illness or disabilities
- unstable living arrangements (including homelessness).

The following restrictions on activity requirements proposed by the Government should be specifically included in the legislation:

- the proposed reduction in the maximum number of hours *principal* carers and people with partial capacity to work can be required to travel to a job (from 90 minutes to 60 minutes)
- the proposed 'cap' on travel costs to a 'suitable' job of up to 10% of their income support payment
- limited activity requirements for recipients living in areas where there are few jobs available.

The proposed expansion of the wide range of activities that may currently be included in an activity agreement to 'one or more activities that the Secretary considers suitable for the person' should not proceed. Further, the following activities should be listed in the legislation as activities that cannot be included in an activity agreement:

- obtaining medical treatment or taking medication
- changing family arrangements
- participation in 'self improvement' activities apart from activities with a labour market focus
- moving home.

***Recommendation 4.***

***Improve investment in employment programs to help people obtain jobs***

To improve employment assistance for disadvantaged job seekers under the package we recommend the following:

- Additional places to be funded in the following specialist programs to help people overcome barriers to work: Open Employment for people with disability, vocational education and training, and the Personal Support Program, should be doubled by the third year of introduction of the Welfare to Work package (2008-09). The number of additional places Wage Assist wage subsidy program for very long term unemployed people should be trebled by the third year.
- The 2005 Budget decision to cut Job Network funding, making it harder for people to obtain Customised Assistance, should be reversed so that disadvantaged job seekers have the same access to Customised Assistance as they have at present.

- A well resourced national employer education campaign should be launched to encourage employers to engage people with disability and mature age unemployed people, and to help overcome misconceptions about the work capacity of people with disability and mature age workers.
- A high proportion of the extra child care places should be set aside for jobless parents, and capital grants should be offered to organisations seeking to establish outside school hours care services in areas where no service exists.

***Recommendation 5.***

***Lessen penalties for non compliance and legislate protections against harsh requirements***

The *maximum penalty* for non compliance with activity requirements should be substantially less than 8 weeks without payment, and it should not apply to 'administrative' breaches such as not attending Job Network interviews.

The maximum penalty should only apply to failure to accept a suitable job offer where this is the third activity test breach in a year.

The proposed 'genuineness test' for referrals to '*Full Time Work for the Dole*' should be clearly specified in the legislation so that is confined to very long term unemployed recipients, fair and consistent decisions are made, recommendations from employment service providers must be approved by Centrelink, and full review and appeal rights apply.

The duration of compulsory '*Full Time Work for the Dole*' should be limited to 10 months in any single year.

## Explanatory Notes

### **1. ACOSS supports the Government's objective to help more social security recipients into jobs**

ACOSS has long supported welfare to work initiatives, including compulsory job search and training requirements where relevant and appropriate. For example, we supported the passage of the *Australians Working Together* legislation through the Parliament in 2001. We have consistently lobbied Governments to boost investment in employment assistance programs such as the Job Network.

We also supported and participated in the welfare reform consultations leading to the McClure Report in 2000. ACOSS has particularly supported proposals, such as those floated by the Government in the *Building a Simpler System* discussion paper in 2002, to modernise our system of social security payments by removing unfair and counter-productive anomalies between 'pensions' and 'allowances'. Unfortunately, the Bill retains these distinctions while diverting people from the pension stream to the allowance stream.

We are deeply concerned that almost one in five children is growing up in a jobless family. However, it is important to acknowledge that by international standards reliance on social security among people of workforce age is not high. About 18% of Australians of workforce age rely on social security payments, below the OECD average. Moreover, it has been falling for the last five years as employment has grown.<sup>5</sup>

The main problem we face after years of strong jobs growth is that most of those who remain jobless are drawn from the most disadvantaged sections of the community.

The number of DSP recipients has risen strongly over the past 15 years due to the early 1990s recession, the closure of alternative payments for people with disability (for example, women can no longer get the Age Pension when they reach 60 years), increase in the diagnosis of mental illness, survival rates of accident victims and the demands of employers for 'high productivity workers'. But the DSP is not easy to get – a doctor or other specialist must verify the disability.<sup>6</sup>

Contrary to the idea that single parents do not participate in the labour force, around 45% of those with school age children already have jobs and this

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<sup>5</sup> These data are provided in ACOSS 2005, *Welfare reform: participation or punishment?*

<sup>6</sup> A summary of the main reasons for the rise in the number of DSP recipients is provided in ACOSS 2005, *Ten myths and facts about DSP*.

proportion is rising. However, the remaining 55% are more disadvantaged and few will find jobs easily.<sup>7</sup>

**2. It will not be easy for people targeted by the Welfare to Work changes to get full time jobs and go off income support.**

The four main groups targeted in the Welfare to Work policy are people with disabilities, single parents, long term unemployed people, and mature aged jobless people.

None of these groups will find it easy to secure employment, as illustrated by the employment outcomes for jobseekers who received Customised Assistance through the Job Network (the highest level of help available for disadvantaged job seekers) – see table below.

**Employment outcomes from Job Network Customised Assistance (2004)**

Job outcomes 3 months after assistance	People with disability on Newstart Allowance	Single parents	Very long term unemployed (24-36 months)	Mature age (50 or more)
Full time job	12%	11%	15%	14%
Part time job	25%	39%	28%	28%

Source: DEWR 2005, *Labour market assistance outcomes*.

These figures overstate the job outcomes for the four groups because they include many casual jobs that could disappear a few months later, and (at least in the case of single parents) participation in the Job Network was voluntary at that time. It is widely acknowledged that voluntary participants in employment programs are generally less disadvantaged than the average income support recipient. Therefore, those single parents who would be required to participate in the Job Network pursuant to the Bill (i.e. most of those with school age children) would on average be *more* disadvantaged in the labour market than the single parents whose employment outcomes are described above.

<sup>7</sup> Further information about how single parents fare in the labour market is in ACOSS 2005, *Facts about single parents and welfare*.

Further, people with ‘partial capacities to work’ who would be required to seek part time employment pursuant to the Bill (those who are assessed in future as only able to work 15 to 30 hours a week) would on average be *more* disadvantaged in the labour market than those people with disabilities who entered the Job Network and achieved the above employment outcomes. Most Job Network participants with disabilities at the time of the above survey received Newstart Allowance and not Disability Support Pension, so they were assessed as able to work full time.

Therefore, the employment outcomes from Job Network assistance for those groups required to seek employment pursuant to the Bill are likely to be significantly *lower*, on average, than indicated above. Nevertheless, the table shows that none of four population groups listed above had more than a 50% probability of getting a job after participating in Customised Assistance. All had just a 10-15% probability of obtaining a full time job.

The difficulties many people required to seek work will have in securing a job are further illustrated by the fact that people with disabilities and single parents have unemployment rates of 10% and 12% respectively: twice that of the general labour force (around 5%).<sup>8</sup>

The reasons it will difficult for most people in the ‘target groups’ to get a job include:

- Employer resistance: especially to engaging people with disability, long term unemployed people and indigenous people
- Limited skills: around 60% of people with disability and jobless single parents have 10 years of schooling or less
- Poor health: 20% of PPS recipients suffer from depression, and many DSP recipients have multiple health problems such as a back injury combined with depression
- Recent marital separation or domestic violence: we estimate that over 20% of PPS recipients have experienced personal violence within the last 12 months
- The need for many recipients to live in regional areas with fewer jobs so that they can afford the rent: for example, during 2000, 10% of DSP recipients and 18% of PPS recipients living in Brisbane moved to non metropolitan areas.<sup>9</sup>

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<sup>8</sup> ABS Labour Force data, and ABS Disability and Carers survey.

<sup>9</sup> References for the statistics below are at the end of this submission.

### **3. The Welfare to Work policy boosts spending on employment assistance and child care, but most will only get a low level of help.**

We estimate that the net increase in annual spending on employment assistance and child care for jobless people in the 2005 Federal Budget is around \$330 million.

This takes account of \$450 million in spending cuts in the Job Network over the next 4 years, which curtail access to Customised Assistance. As a result of this change, many recipients newly required to look for work will get the lowest level of Job Network help – for example, an interview a month and ‘self service’ job search. They will have to wait up to a year to obtain Customised Assistance, which includes an interview a fortnight and around \$1,000 in a ‘Job Seeker Account’ to assist with immediate barriers to employment (such as the cost of short training courses required to enter some occupations).

By contrast, in the Job Network DSP pilot, participants were referred directly to Customised Assistance on the assumption that people with disabilities needed a higher level of help.

The average level of new employment assistance spending on each person required to seek employment under the Welfare to Work policy is around \$1,000 a year.

Welcome improvements include guaranteed access to disability employment services for those required to look for work, a major boost to outside school hours care, and a new wage subsidy scheme for long term unemployed people.

The major gaps in provision include very inadequate numbers of places in specialised programs to help people overcome barriers to work, including vocational education and training, disability employment programs (for DSP recipients), Wage Assist, and the Personal Support Program (see table below).

## New annual investment in employment assistance

Program	Extra places per year <sup>10</sup>	Target groups	Comment
<b>All target groups</b>			
Job Network	Around 56,000	Places guaranteed for work-tested recipients	\$450m Job Network cuts over 4 years will curtail access to Customised Assistance
Personal Support Program	Around 3,000 for people with personal barriers to work	Approx 20,000 extra people with disabilities and 30,000 parents annually will be activity tested, along with 180,000 existing jobless parents, and 70,000 existing mature age NSA recipients	Very inadequate, given high level of mental health and related problems among these target groups
<b>Parents and mature aged</b>			
Employment Preparation	Around 47,000	Places guaranteed for activity tested parents and mature aged lacking recent work experience	Replaces and expands a similar voluntary program ( <i>Transition to Work</i> )
Outside School Hours Care	Around 84,000 places (includes before, & after school care, & vacation care places counted separately)	180,000 existing jobless parents, plus 30,000 new recipients each year	A major increase but places not earmarked for target group and services not available in many regions
Vocational education and training and literacy	Around 5,000 VET and 1,000 literacy places	180,000 existing jobless parents plus 30,000 new recipients each year, 70,000 mature aged recipients	Very inadequate given low education levels
<b>People with disabilities</b>			
Disability employment programs	Around 5,000 in Disability Open Employment Services and 14,000 in Rehabilitation	Guaranteed for work tested (NSA) recipients assessed as needing it, 700,000 existing DSP recipients still have to queue.	A major increase, guarantee welcome for Newstart Allowance recipients, but inadequate for existing DSP recipients
Prevocational assistance	Around 26,000 places	For applicants undergoing Comprehensive Work Capacity Assessments	Short term help with immediate barriers to work
<b>Very long term unemployed</b>			
Wage Assist	Around 7,000 places	Approx 50,000 very long term unemployed people each year	Welcome program offering paid work experience, but inadequate places
'Full time' work for the dole	Around 25,000 places	Approx 50,000 very long term unemployed people each year	Compliance program for those who fail a 'genuineness test'

<sup>10</sup> Estimates are derived from Budget Papers and Senate Estimates questions, rounded to the nearest thousand. Some are approximate estimates only, as some Government estimates of the number of places available in programs are aggregated over a three year period, and places in some programs (including Disability Open Employment Services and Personal Support program) extend over more than one year.

**4. If the Bill is passed without amendment, cuts in future income support payments will leave many parents and people with disability worse off**

The Bill substantially reduces rates of payment for many people who apply for income support after June 2006 by diverting them from pension payments (such as DSP) to 'allowance' payments (such as Newstart Allowance). The Bill will:

- deny people with 'partial incapacity' (assessed as able to work 15 to 30 hours week only) access to DSP
- restrict Parenting Payment Single to single parents whose youngest child is less than 8 years old
- continue to pay active foster carers, home schoolers, and distance educators at pension rates even if they receive Newstart Allowance
- ease the income test for Newstart Allowance and Youth Allowance ( but the 'new' income test is still tougher than that applying to pensioners).

The Bill provides that most single parents and people with partial incapacity placed on lower 'allowance' payments will receive Pensioner Concession Cards, Pharmaceutical Allowance and Telephone Allowance, but those who are full time students on Austudy Payment or Youth Allowance will miss out on these concessions.

If the Bill is passed without amendment, then over the first 3 years of implementation of the changes, our estimates based on official data are that 81,000 people with disability and 80,000 single parents (with at least 130,000 children) would go onto lower income support payments, or no payment, instead of Disability Support Pension (DSP) or Parenting Payment Single (PPS). We estimate that 15,000 single parents will 'avoid' lower payments over the three year period as a result of the recently announced increase in the age of youngest child that qualifies parents for Parenting Payment from 6 to 8 years, the extension of Carer Pension to more parents with severely disabled children, and the special higher rate of Allowances for foster carers, home educators, and distance educators.

To our knowledge, none of the changes announced since the 2005 Budget will substantially reduce the 81,000 people with disabilities originally estimated to go onto lower payments as a result of the Welfare to Work policy.<sup>11</sup> Further, of those

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<sup>11</sup> The main changes affecting people with disabilities, announced in September 2005, affect supplementary payments rather than primary income support payments: the extension of the higher \$50pw rate of Mobility Allowance to eligible NSA recipients able to work full time; extension of Employment Entry Payment of \$312 to long term income support recipients entering part time jobs; and extension of the Work for the Dole Supplement of \$10pw to DSP recipients who volunteer for Work for the Dole.

single parents and people with partial capacity to work who will be eligible for temporary exemptions from the activity test in accordance with policy announcements in September and November 2005, only three groups – foster carers, home schoolers, and distance educators – will receive pension levels of payment.

Reduction of income support for new recipients from July 2006 range from \$29 to \$166 per week – see table below. These income losses will increase over time due to differences in the indexation arrangements for pensions and allowances. The Productivity Commissions estimates that in 30 years, the maximum rate of NSA for a single adult will be worth just half the maximum rate of pensions, if existing indexations arrangements continue.

**Reductions in disposable income for a single adult with disabilities affected by the changes (in 2006)**

	<b>Income on DSP (\$ per week)</b>	<b>Income on NSA/Austudy (\$ per week)</b>	<b>Loss of income (\$ per week)</b>
Jobless	\$254	\$208	-\$46
Works 15 hours pw at min. wage	\$387	\$288	-\$99
Studying fulltime (not renting)	\$285	\$170	-\$115
Studying fulltime (renting)	\$336	\$170	-\$166

*Note: Includes wages (after tax) where relevant. Minimum wage for 15 hours is approx \$190-\$200pw before tax.*

**Reductions in disposable income for a single parent with 2 children (6-12 years) affected by the changes (in 2006)**

	<b>Income on Parenting Payment Single (\$ per week)</b>	<b>Income on NSA/Austudy (\$ per week)</b>	<b>Loss of income (\$ per week)</b>
Jobless	\$468	\$439	-\$29
Works 15 hours pw at min. wage	\$617	\$522	-\$96
Studying fulltime (not renting)	\$499	\$436	-\$63
Studying fulltime (renting)	\$566	\$503	-\$63

*Note: Includes Family Tax Benefits for the children. Minimum wage for 15 hours is approx \$190-\$200pw before tax.*

Those adversely affected by these changes are generally new applicants for social security payments after July 2006. But under the ‘grandfathering’ provisions of the Bill, many single parents already on Parenting Payment will be worse off if they obtain a job or re-partner and go off income support, then reapply more than 12 weeks later. They will not be able to return to Parenting Payment under these circumstances. Given the high ‘turnover’ of parents on and off Parenting Payment Single, this inevitably means that large numbers of *existing* Parenting Payment recipients will be adversely affected.<sup>12</sup>

On the other hand, the Bill provides that existing DSP recipients will be able to return to that payment after two years of full time employment, regardless of the reason they lose or leave the job.

The people worst affected financially are those single parents and people with partial incapacity who try to improve their situation by undertaking part time jobs or studying (see points 6 and 7 below). As well as receiving lower income support payments (Austudy Payment or Youth Allowance), full time students will miss out on a range of important supplements including Pensioner Concession Cards, Pensioner Education Supplement, and in many cases Rent

<sup>12</sup> Another exception are people with disabilities who apply for DSP between May 2005 and June 2006, whose applications will be assessed under the existing rules, but whose eligibility will subsequently be reviewed under the more stringent DSP eligibility requirements in the Bill. Approximately 21,000 are estimated to go onto lower ‘allowance’ payments.

Assistance. To discourage further education and training in this way among jobless people with limited education is counterproductive.

The proposed payment reductions will save the Government around \$1 billion over the first 3 years (approximately \$600 million from DSP changes and \$400 million from Parenting Payment changes), but serve no other purpose. It is not necessary to cut payments to get people into jobs, or even to require them to look for work. For example, existing PPS recipients with school age children will keep the higher payment even though they face the same work test and receive the same employment assistance as new applicants who go onto lower payments. The only substantial difference in the treatment of existing recipients and those single parents who apply after June 2006 will be the lower rates of payment received by many new applicants.<sup>13</sup>

The Bill acknowledges that most people with partial incapacities, and jobless parents who will be required to look for employment, cannot work full-time because of their disability or caring responsibilities. But NATSEM estimates that unless they get a *full time* job earning at least \$700 per week, they will be financially worse off on Newstart Allowance or Austudy Payment than they would have been on the pension (see point 6 below, regarding work incentives).<sup>14</sup>

#### **5. The Government's argument that people will not be worse off relies on an inappropriate comparison between the income of jobless pensioners and employed Newstart Allowance recipients**

The Government argues that those who go onto Newstart Allowance instead of pensions as a result of the Welfare to Work policy will be financially better off because they are likely to get at least a part time job, compared to being jobless on the pension.

It therefore compares the disposable incomes of jobless recipients of pension payments with those of part time workers on Newstart Allowance.<sup>15</sup>

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<sup>13</sup> See responses to questions W156-06 and W157-06, *Senate Employment Workplace Relations and Education Committee*, August 2005. These figures take account of the higher amounts spent on Newstart Allowance, Austudy Payment and other alternative payments. The vast majority of these savings would be due to the proposed cuts in income support rather than increased workforce participation. Even if recipients obtain part time employment the Government would 'claw back' more of their gross earnings if they are on Newstart Allowance than if they received a pension.

<sup>14</sup> NATSEM 2005, *Distributional impact of welfare to work reforms upon single parents*; and NATSEM 2005 *Distributional impact of welfare to work reforms upon Australians with disability*

<sup>15</sup> Media statement by Minister Hon Kevin Andrews, 25/8/05.

There are three problems with this comparison. It does not compare the incomes of people in like circumstances. In order to compare ‘apples with apples’, we should separately compare the circumstances of jobless people on Pensions and Allowances, and those with jobs on Pensions and Allowances. Comparing like with like, NATSEM found that jobless people with disabilities and single parents would have been worse off on allowances than on pensions. Further, they found that even those who obtained employment paying *up to \$700 per week (gross)* would be worse off on allowances than on pensions. This is the income level at which the DSP and PPS cut out completely and people are no longer entitled to income support. It is around 50% higher than full time pay on the minimum wage.<sup>16</sup> Very few of those affected by the Welfare to Work changes will progress quickly to such a job.

Secondly, it assumes that all or at least the vast majority of those affected by the policy will actually find employment. The Government’s comparison implies that single parents and people with disability affected by the policy (those who go onto Newstart Allowance) will typically obtain regular part time employment for 15 hours a week. As shown above, official data for the outcomes of Job Network and other employment programs suggests that at best, half the single parents affected by the policy and only a minority of people with disability, will get a job after being transferred to Newstart Allowance and receiving employment assistance.

Thirdly, it ignores the very high effective tax rates that would be imposed on those who get a job. The effective marginal tax rates facing part time workers on Newstart Allowance are much higher than for pensioners (see point 6 below). As a result, the Government will typically keep most of the earnings obtained by those recipients affected by the changes who get a part time job. For example, if we convert the Government’s estimates of net gains from the Welfare to Work package for typical people with disabilities and single parents into net gains per hour worked, we find that:<sup>17</sup>

- A single parent with one child on Newstart Allowance working 15 hours a week on the minimum wage receives \$58 per week more income than a similar jobless single parent on Parenting Payment Single. This is equivalent to *\$3.90 per hour worked*
- A person with a disability on Newstart Allowance working 15 hours a week on the minimum wage receives \$42 per week more (excluding Mobility Allowance), than a similar jobless DSP recipient. This is equivalent to *\$2.80 per hour worked*.

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<sup>16</sup> NATSEM 2005, *Distributional impact of welfare to work reforms upon single parents*; and NATSEM 2005 *Distributional impact of welfare to work reforms upon Australians with disability*

<sup>17</sup> We do not include Mobility Allowance in this calculation because the majority of people with disability affected by the policy will not receive it.

It is important to note that these calculations do not take account of the costs of working, including transport, clothing, and crucially for single parents, child care.

**6. The income support changes in the Bill will strengthen work incentives for existing recipients of Allowance payments, but weaken them for many single parents and people with partial incapacities.**

Under the proposed Newstart Allowance income test, 50 cents will be deducted from every dollar earned between \$31 and \$125 per week, and 60 cents will be deducted from every dollar earned above \$125 per week. These income thresholds are not indexed automatically.

This is less stringent than the existing Newstart Allowance income test, which deducts 50 cents from every dollar earned between \$31 and \$71 per week, and 70 cents from every dollar earned above \$71 per week. This easing of the income test is welcome, as it will improve work incentives for existing categories of Newstart Allowance recipients.

However, the new income test is more stringent than the pension income test. Under the pension income test at June 2005, just 40 cents is deducted from every dollar earned above 61 per week, and this 'free area' is indexed annually and increased by \$12 per week for every additional child in the family. Since the provisions of the Bill divert many people with partial capacities to work and single parents from pension payments to allowance payments, the result will be a serious weakening of financial incentives to work for these two groups. The Bill would weaken financial incentives for these recipients to undertake either *part time work* or *low paid full time work*. This undermines the intent of the legislation to encourage people to move from welfare to work.

NATSEM estimates that, taking account of income tests and tax arrangements, a single parent affected by these income support changes would 'lose' over 65 cents for every dollar earned between \$50 and \$150 per week, compared with a loss of 40 cents or less on the pension (see table below). That is, their effective marginal tax rates would rise from 40 to 65 cents in the dollar.

A single adult with disabilities affected by the changes would lose over 65 cents for every dollar earned between \$50 and \$150 per week, compared with a loss of up to 55 cents on the pension.

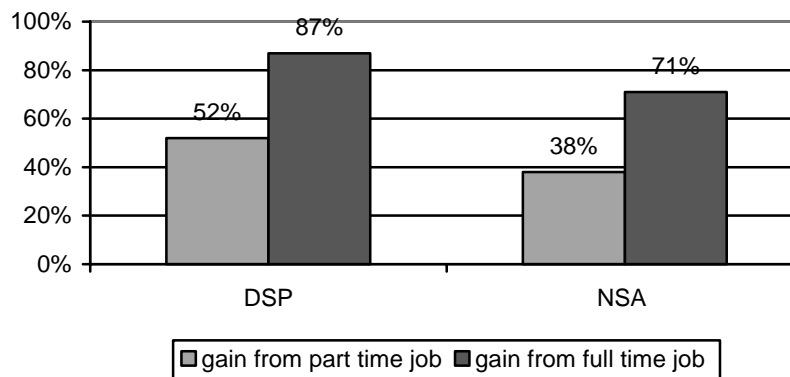
**Effective marginal tax rates facing single parents and people with disabilities on DSP and PPS, compared with Newstart Allowance (2006)**

Private Income (\$ per week)	Single parent, 2 children		Single adult with disabilities	
	Parenting Payment Single	Newstart Allowance	Disability Support Pension	Newstart Allowance
	%	%	%	%
\$0	0	0	0	0
\$50	0	65	0	65
\$100	40	65	40	65
\$150	40	75	55	75
\$200*	57	75	55	73
\$300	68	66	55	67
\$400	66	66	57	17
\$500	66	34	76	36
\$600	78	30	72	32

Source: NATSEM, *Distributional impact of proposed welfare to work reforms upon single parents*, August 2005; and NATSEM *Distributional impact of proposed welfare to work reforms upon Australians with disability*, September 2005. Note: Approx 15 hours a week at minimum wage. Proposed easing of the Newstart Allowance income test is taken into account.

Incentives to take on both *part time jobs* and *low paid full time jobs* are weaker under the package. For example, as the graph below shows, a single jobless DSP recipient increases their disposable income by 52% by taking on 15 hours' work a week at the minimum wage, and 87% if they take on a full time job at the minimum wage. However, the same person on NSA gains just 38% from the part time job and 71% from the full time job.<sup>18</sup>

**Gain in disposable income for a single jobless person with disabilities working 15 hours or 38 hours a week at minimum wages (2006)**

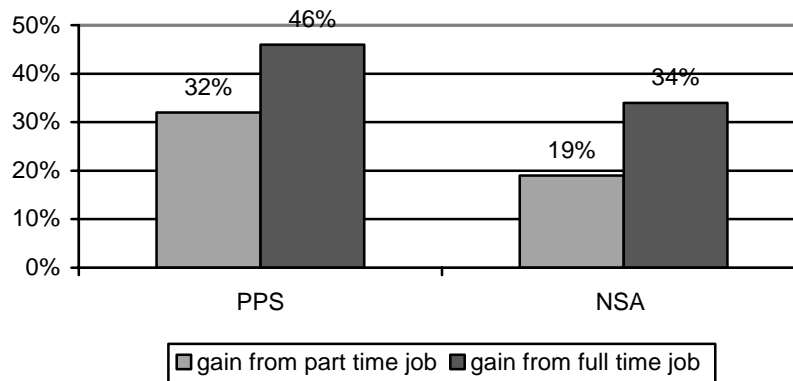


Source: NATSEM 2005, as above and ACOSS calculations.

<sup>18</sup> These figures do not take account of the costs of working.

As the graph below shows, a jobless single parent with two children on PPS increases their disposable income by 32% by taking on 15 hours' work a week at the minimum wage, and 46% if they take on a full time job at the minimum wage. However, the same person on NSA gains just 19% from the part time job and 34% from the full time job. These figures include Family Tax Benefit but do not take account of the costs of working.

**Gain in disposable income for a jobless single parent with 2 school age children working 15 hours or 38 hours a week at minimum wages (2006)**



Source: NATSEM 2005, as above and ACOSS calculations.

**7. People who study to improve their job prospects are severely affected by the income support and other changes**

Over 60% of people with disabilities and jobless parents on income support have Year 10 education or less. Policies that give them an opportunity to improve their education and vocational skills are likely to improve their future job prospects. Further education and training is especially popular with parents on income support who find that over the years that they have cared for young children full time their skills have fallen well out of date.

Whether or not the Welfare to Work package *encourages* people to pursue further education and training, at the least an effective Welfare to Work policy should adopt a neutral stance towards the choices of recipients to seek work immediately or pursue further education and training to improve their prospects of better and more stable employment in future.

However, the Bill, and the existing income support system generally, discriminates against people who choose further education and training.

Pension payments such as Parenting Payment (Single) and DSP are paid at the same rate regardless of whether the recipient is studying or looking for a job. In addition, a Pensioner Education Supplement of \$31 per week is paid to assist pensioners with the direct costs of education such as books and fees. Thus, for pensioners the choice between seeking employment and study is fairly 'neutral'.

However, those recipients who go onto Allowance payments instead of pensions will find that they have to make major financial sacrifices if they study full time for 12 months or more and shift to Austudy Payment: for example if they seek to complete Year 12 or attend TAFE. The reasons for this are that Austudy Payment is lower than Newstart Allowance, Rent Assistance is not paid to Austudy or Youth Allowance recipients unless they have dependent children, the Pensioner Education Supplement would no longer be available to them, and they would no longer be entitled to Pensioner Concession Cards, Pharmaceutical Allowance or Telephone Allowance.

As a result, an adult with partial capacity to work on Austudy Payment would be up to \$166 per week worse off compared with their income on DSP, and a single parent would be \$64 per week worse off compared with their income on Parenting Payment.

In addition, the Welfare to Work policy tightens access to JET child care subsidies which cover the bulk of any gap fee not covered by Child Care Benefit. This will no longer be available for longer courses.

Job Network providers are also discouraged by the present system of Job Network Outcome Fees from placing people in education and training, unless they are under 21 years old or pursue a course of study that would qualify them for Austudy Payment. In order for the Job Network provider to benefit financially from a successful education outcome, the recipient must *lose* money - by transferring from Newstart Allowance to the lower Austudy Payment.

**8. The Bill does not set out a range of activity requirements appropriate to the circumstances of people with partial incapacity, parents, and mature age job seekers, but leaves this important task to administrative guidelines**

People with partial capacity to work and principal carers of children 8 years or over who receive certain Allowances (Newstart Allowance, Youth Allowance, Austudy Payment and Special Benefit) are subject to the relevant activity test applying to their payment. Those who fail to comply with these modified activity requirements face financial penalties (see part 9 below). The Bill modifies those income tests in recognition of their 'part time' work capacity and a number of

barriers to work faced by these groups.

In particular, the Bill limits the number of hours principal carers and people with partial capacity to work can be required to work and provides that once principal carers or those with a partial capacity to work people are working the required number of hours per week, other activity requirements (e.g. to participate in Work for the Dole) do not apply. The rationale for this is that these groups can only be expected to undertake part time work due to their disability or caring responsibilities.

However, unlike the *Australians Working Together* Bill (2001), the Bill does not apply this rationale consistently to other activity requirements. For example, if a principal carer is approved to participate in a course for 15 hours a week, they should not be expected to look for paid work at the same time. Activity requirements for these groups should be the part time equivalent of standard NSA requirements.

This is important because Newstart Allowance recipients are normally subject to a range of activity test requirements that are inappropriate for principal carers, people with partial capacity to work and mature age people, including: looking for up to 10 jobs a fortnight; accepting jobs that require up to three hours' travel time each day and reporting to Centrelink in person once a fortnight.

A major weakness of the Bill is that many aspects of the activity requirements for different groups, and proposed exemptions from them, are left to be specified in 'guidelines' which can be changed at the discretion of the Secretary. While we recognise the need for flexibility in this area, the Bill does not provide the degree of protection from unreasonable or inappropriate requirements that is needed, especially for those groups who are subject to activity requirements for the first time. Guidelines can be changed at the Ministers' discretion, without reference to the Parliament.

The Bill increases the existing activity requirements of mature age Newstart Allowance recipients, for example by requiring them to seek full time rather than part time employment. The Bill also dramatically expands the range of activity requirements that can potentially be included in Newstart Activity Agreements.

There are four aspects to the activity requirements specified in the Bill and we deal with each in turn:

- Suitable work (an offer of which people must accept)
- Capacity to comply
- Temporary exemption
- Activity requirements other than accepting suitable work:

### ***Suitable work***

Newstart Allowance (NSA) recipients (including principal carers with children 8 years or over and people with partial capacity to work who are not exempted) must accept an offer of 'suitable work'. The penalty in this case is 8 weeks without income support regardless of the number of previous 'breaches'.

The Bill requires principal carers subject to the activity test to seek 15-25 hours a week of paid work, not 15 hours only as suggested in many media reports about the Welfare to Work package (see Schedule 7, Item 23). The precise hours applying to each person are subject to administrative guidelines and the Secretary's discretion. This could lead to uncertainty and inequity.

People with partial capacity to work are required to seek jobs with working hours of 15 to 30 hours a week, presumably based on their capacity to work assessments.

Principal carers who cannot obtain Commonwealth funded child care, and do not have other (informal) child care arrangements available and acceptable to them, are not required to work outside school hours, taking account of travel times (see Schedule 7, Item 26). The explanatory memorandum (but apparently not the Bill) also refers to a job being 'unsuitable' where due to child care costs the financial gains from working are too small. If this important provision has not been included in the Bill, it should be. Also, there is no clarification in the Bill or the Explanatory Memorandum of the circumstances in which a particular Commonwealth funded child care service would not be considered suitable. For example, it is possible that a parent would have to change a child's school if the only place available in an outside school hours care service is located at another school and children are not transported to that service from other schools in the area.

The existing provision that NSA recipients need not accept a job paying below award wages is replaced by reference to the proposed 'Fair Pay Standards' (See Schedule 7, Item 28). This implies that only the federal minimum wage (as determined by the proposed Fair Pay Commission) will apply, not the relevant award rate based on the skills required for the job. This has implications for people with disabilities, who may have to accept a job that pays well below their skill level.

The use of Fair Pay Standards rather than the relevant award also has implications for the conditions of employment that must be accepted, particularly the regularity of hours of work. Many awards require regular working hours, but the proposed fair pay standards do not. This has important

implications for principal carers, who need regular and predictable working hours in order to organise child care around their work arrangements.

The Bill contains no explicit provision to reduce the travel times that render a job 'unsuitable' for a principal carer or person with partial capacity to work from 90 minutes (both to and from the job - that is, 180 minutes per day) to 60 minutes, in accordance with a recent policy announcement. Instead, it allows the Secretary to develop guidelines in this regard (See Schedule 7, Item 30). Further, the Bill does not appear to include a formula to determine when the costs of travel are considered excessive. A recent policy announcement indicated that people would not be required to accept a job where the cost of travel exceeds 10% of the wage. These matters will presumably be addressed in guidelines, but for clarity and certainty they should be included in the Bill.

### ***Capacity to comply***

The 'capacity to comply' provisions in the Social Security Act set out factors that the Secretary must take into account in deciding whether a person can be expected to comply with Newstart Activity Agreements.

The Bill specifies education, age, skills, disability, local labour market, family responsibilities, travel time required, and costs of compliance as factors that should be taken into account (see Schedule 7, Item 65). This is a sensible list of factors to include in the legislation, but most (apart from caring responsibilities) are already included in the Social Security Act in regard to Newstart Allowance recipients. While it is not possible to take account of every factor in the legislation itself, we consider the following should be included to ensure that Newstart Activity Agreements are appropriately re-designed to cater for people with partial capacity to work and principal carers:

- the needs of children with illnesses, disabilities or behavioural disorders
- the cost of child care and the suitability and convenience of local child care services (including the issue raised above regarding the need to avoid children having to change schools)
- the time constraints on principal carers in regard to working hours and travel times, and their need for regular and predictable working hours
- the extra work and travel related costs faced by people with disabilities
- mental illness
- episodic or deteriorating illness or disabilities
- unstable living arrangements (including homelessness).

People in areas where there are no jobs are not required to look for work, but that was already provided in the Social Security Act. It appears that the Bill would tighten this existing provision by requiring people to undertake training and other programs in lieu of active job search.

### ***Temporary exemptions***

The Bill allows the Secretary to grant temporary exemptions from activity requirements of varying duration for certain categories of recipients, and provides for other groups to be listed in guidelines (see Schedule 7, Item 41). However, the Bill does not make it mandatory for the Secretary to grant an exemption where the person cannot reasonably be expected to comply with activity requirements. It leaves this matter to the Secretary's discretion. This does not afford the groups concerned reasonable protection from the imposition of activity requirements where this would not be appropriate to their circumstances.

Foster carers, distance educators, home educators, and domestic violence victims (within the last 6 months), and parents of children with disabilities are explicitly listed in the Bill in regard to temporary exemptions. However, *parents with four or more dependent children* (who were specifically mentioned in the context of temporary exemptions in a recent policy announcement) are only mentioned in the Explanatory Memorandum, which suggests that the Secretary 'might' include them in guidelines.

We consider that this gap and the following categories of recipients should be specifically mentioned in the Bill, including:

- a principal carer who has separated within the last 6 months
- people undergoing acute personal crisis such as homelessness
- people undergoing an acute phase of an episodic or deteriorating illness or disability.

The Bill replaces the existing NSA 'temporary incapacity' provisions (for people temporarily unable work due to illness who produce medical evidence). Apart from this, there appear to be no explicit exemptions for people with partial capacity to work. Further, the existing exemptions for 'incapacitated' NSA recipients are wound back by requiring them to engage them in a range of activities. A valid medical certificate will not automatically exempt people from activity requirements. While there may be a case for engaging people with temporary incapacities in activities that improve their future job prospects, the Bill as currently drafted opens up the risk that they will inappropriately be required to meet 'standard' NSA requirements such as searching for jobs, or that they could be required to undertake personally intrusive activity requirements such as obtaining medical treatment or taking medication. This problem could be addressed in the Bill through the inclusion of specific list of activity requirements that cannot be included in a Newstart Activity Agreement, including for example a requirement to obtain medical treatment (see section (4) immediately below).

### ***Activity requirements other than accepting suitable work***

In existing Section 606, the Social Security Act provides that the Secretary and a recipient may negotiate the inclusion of the following broad range of activity requirements in a Newstart Allowance Activity Agreement: job search, participation in training programs, measures to eliminate labour market disadvantage, self employment development, Work for the Dole, rehabilitation, labour market programs, the Personal Support program, and any other activities with which the recipient agrees. The Bill replaces Section 606 with a provision allowing the Secretary to require a recipient to undertake '*one or more activities that the Secretary considers as suitable for the person*' (see Schedule 7, Items 63-67). This is far too broad. The existing list of options in Section 606 (especially 'any other activities with which the recipient agrees') is sufficiently broad and flexible to meet all contingencies.

This broadening of the potential scope of Activity Agreements raises the prospect of more personally intrusive requirements such as undertaking medical treatment, taking medication, changing appearance or behaviour, moving home, or participating in self improvement activities. The Bill anticipates this problem by providing that guidelines may be drafted by the Secretary to limit his or her own discretion by restricting the scope of potential activity requirements, but there is no specific list of 'excluded activities' in the Bill.

The Bill makes explicit the existing requirement for NSA recipients to look for a certain number of jobs every fortnight (see Schedule 7, Item 23), but doesn't specify how many (the current standard is up to 10). Moreover, the Bill does not offer any explicit concessions for parents or people with partial capacity to work in this regard, although it recognises elsewhere that they cannot be expected to accept full time work.

The Bill removes from the Social Security Act the existing 'cap' on the number of jobs mature age Newstart Allowance recipients are required to seek – in effect, an average of up to 4 jobs per fortnight if over 50 years old. Although it leaves open the possibility that job search requirements for mature age people may be limited in the guidelines, this does not afford them the protection from inappropriate requirements that this group of recipients needs.

It also appears that the special activity requirements for parents and mature age people legislated in the 'Australians Working Together' Bill (2001) will be removed. Although some features of these provisions would remain, including a temporary exemption for victims of domestic violence, others (including a temporary exemptions for parents who have separated within the past 6 months) are removed from the Social Security Act.

There appears to be at least two significant differences between activity requirements outlined in the Bill for existing Parenting Payment recipients and those for NSA recipients generally (including principal carers): Parenting Payment recipients are not explicitly required to fill out 'dole diaries' or 'employer contact certificates' to demonstrate their efforts to obtain paid work. This is appropriate, though it could be more clearly stated in the Bill.

The Bill appears to provide that principal carers and people with partial capacity to work may be excused through guidelines from having to lodge application forms for NSA every fortnight, as is common for activity tested NSA recipients (see Schedule 7, Items 18-20). This is important as it would reduce unnecessary costs for these groups (for example, taxis in the case of some people with disabilities and occasional care in the case of parents). The Bill should state explicitly that that these groups and mature age recipients will not ordinarily be required to lodge fortnightly forms.

The Bill provides that once principal carers or people with partial capacity to work are working the required number of hours per week, other activity requirements (e.g. to participate in Work for the Dole) do not apply (see Schedule 7, Item 56). This provision is welcome, but it should also apply to other approved activities such as education and training. For example, if a principal carer is approved to undertake a course for 15 hours a week, they should not be expected to look for paid work at the same time.

#### **9. Those who breach the new activity requirements will face the prospect of going without income support for 8 weeks**

Those who breach their activity requirements could have part or all of a fortnightly social security payment cancelled, but will be given an opportunity to explain or rectify the breach before their payments are reduced. This is a significant improvement on the existing penalty system because those who promptly comply with their activity requirements may have the penalty waived.

However, those who breach their requirements three times in a year face a new maximum penalty of 8 weeks without income support (see Schedule 7, Item 73). This is excessive. It will cause considerable financial hardship and place more pressure on emergency relief services.

Further, recipients who do not accept a suitable job, or do not participate in compulsory Full time Work for the Dole face an immediate eight week penalty, regardless of the number of breaches over the past year.

Unlike the present maximum penalty, the Bill provides that 8 weeks off payment will apply to relatively minor breaches (called 'administrative breaches'), such as not attending interviews with Job Network providers. It does so by removing the distinction between relatively minor 'administrative' and relatively major 'activity' breaches (see Schedule 7, Item 76). Presently, a failure to attend such interviews attracts a penalty, but does not lead to the imposition of the maximum penalty.

The proposed arrangements announced by the Government in the Budget to ease the impact of the 8 weeks without payment are unworkable because they assume that recipients don't need all of their fortnightly payment to meet essential costs. Most recipients already struggle to make ends meet.

### **10. Long term unemployed people face the additional penalty of being required to Work for the Dole full time for 10 months or more**

People on Newstart Allowance for over two and a half years will face a 'genuineness test' administered by the Job Network. To our knowledge, no details of this test are publicly available, aside from the following answer to a question in the Senate:

*'Job Network members will take account of the job seeker's history of meeting participation requirements and all other relevant information. This will include taking into account the individual's job search history and whether the job seeker has an ongoing history of poor attendance or income support penalties. It is not expected that Job Network members will apply set weights to [these] factors'*<sup>19</sup>

This suggests that the test will be highly discretionary, and raises doubts about the consistency of its application across the Job Network. The Job Network is not well equipped to administer social security law, as its main function to help individuals obtain employment.

If they 'fail' the test, they will be required to Work for the Dole for 25 hours a week for at least 10 months, for less than the current federal minimum hourly wage. If they do not attend, they will immediately lose social security payments for 8 weeks.

It is unclear at this stage whether the maximum period of 'full time Work for the Dole' is 10 months, as indicated in the Budget documents, or this could be extended at the discretion of Job Network providers. The answer to the above

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<sup>19</sup> Answer to Senate Question No 1149, 2005.

Senate Question states, in response to a question asking whether there is a time limit on maximum period of 'full time Work for the Dole':

*'No – After 10 months of full time Work for the Dole, Job Network members will review job seekers to determine if full time Work for the Dole remains appropriate. Job seekers will participate in full time Work for the Dole until they obtain employment or other acceptable exit or, if aged 55 years or over, participate in approved voluntary work, or their participation requirements change, for example, as a result of a Comprehensive Work Capacity Assessment.'*

This raises the possibility that 'full time Work for the Dole' could be of indefinite duration in some cases. Together with the very loose definition of a 'non genuine job seeker' described above, this raises concerns that a severe penalty could be arbitrarily imposed on long term unemployed people.

## Background data

### Breakdown of people worse off from 2006 to 2009, by State<sup>20</sup>

State	People with disability worse off	Single parents worse off (before changes)	Single parents worse off (after changes) <sup>21</sup>	Overall number of social security recipients worse off (after changes)
NSW	23150	25650	21600	45090
Victoria	18950	14250	12000	31440
Queensland	19050	33250	28000	46630
Western Australia	7450	13300	11200	17680
South Australia	7850	2850	2400	10500
Tasmania	2550	1900	1600	4840
N.T.	750	2850	2400	3210
A.C.T.	1250	950	800	1610
Australia	<b>81,000</b>	<b>95,000</b>	<b>80,000</b>	<b>161,000</b>

*Note: These figures are based on 'official' estimates of the numbers of people affected by the original policy announced in the 2005 Budget, from answers to Senate Estimates questions in August 2005, with adjustments for subsequent policy changes affecting single parents.*

Apart from DSP recipients who applied for the pension after May 2005, those worse off are new applicants for income support after July 2006.

<sup>20</sup> Social security recipients who go onto lower payments, or no payment, instead of Disability Support Pension or Parenting Payment (Single) as a result of the Welfare to Work changes. Numbers do not add precisely to totals due to rounding.

<sup>21</sup> Changes reducing the number of single parents worse off are the increase in the age of youngest child that qualifies the parent for Parenting Payment from up to 6 to up to 8 years, the extension of Carer Payment to more parents with a severely disabled child, and the special higher rate of Allowance payments for foster carers, home educators and distance educators.

Most existing recipients of DSP or Parenting Payment prior to July 2006 will be 'grandfathered' so that they keep the higher pension payment unless they go off payments for a certain minimum period and then reapply after July 2006.

## Further information

[for ACOSS publications see [www.acoss.org.au](http://www.acoss.org.au)]

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Australian Bureau of Statistics, *Labour Market Statistics*.

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ACOSS (October 2005), *Who is worse off? The regional distribution of people affected by the Welfare to Work policy*.

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ACOSS (August 2005) *Response to the Government's Welfare to Work proposals*.

ACOSS (January 2005), *Ten Myths & Facts about the Disability Support Pension*,

ACOSS Info 362 – January 2005.

ACOSS (March 2005) *Signposts to welfare reform*. Address by ACOSS President Andrew McCallum to Melbourne Institute - The Australian 'Sustaining Prosperity' conference, ACOSS Info 369.

Butterworth (2003), *Estimating the prevalence of mental disorders among social security payments recipients*. FACS Occasional Paper.

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