

The Senate

Community Affairs
Legislation Committee

Provisions of the:

Employment and Workplace Relations Legislation
Amendment (Welfare to Work and Other Measures)
Bill 2005

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

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RECOMMENDATIONS

Recommendation 1

3.66 The Committee recommends that the Government closely examine the interface between further education, welfare and the needs of a changing labour market on a periodic basis.

Recommendation 2

3.106 The Committee recommends that the Department of Employment and Workplace Relations reassess which of the guidelines under the package are to be disallowable by the Parliament; that is, that it ensure key aspects of the guidelines be determined by disallowable instruments. This will ensure consistency in application as well as appropriate Parliamentary scrutiny. In particular, the Committee recommends that guidelines dealing with what constitutes unsuitable paid employment, special family circumstances, suitable and unsuitable activities for participation, and compliance issues are based on disallowable instruments.

Recommendation 3

3.111 The Committee recommends that the Department of Employment and Workplace Relations table in the Parliament, on an annual basis, key data on the implementation of the Welfare to Work package.

Recommendation 4

3.115 The Committee recommends that an automatic exemption from participation requirements be extended to parents of large families.

Recommendation 5

3.117 The Committee reports to the Senate that it has considered the Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005 and recommends that the Bill, subject to recommendation 4, be passed.

Recommendation 6

4.16 The Committee reports to the Senate that it has considered the Family and Community Services Legislation Amendment (Welfare to Work) Bill 2005 and recommends that the Bill be passed without amendment.

CHAPTER 1

INTRODUCTION

Terms of reference

1.1 On 9 November 2005 the Senate referred the provisions of the Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005 and the Family and Community Services Legislation Amendment (Welfare to Work) Bill 2005 to the Committee for inquiry and report by 28 November 2005 with particular reference to increasing participation by, and reducing welfare dependence of, parents, people with disabilities, the very long-term unemployed and mature age people through:

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

Conduct of the inquiry

1.2 Owing to the short time frame for the inquiry, the Committee invited submissions by Wednesday, 16 November 2005. Invitations were sent to Commonwealth Departments and many interested organisations. The inquiry was also advertised on the Internet.

1.3 The Committee received 62 public submissions and 2 confidential submissions. A list of individuals and organisations who made a public submission or provided other information that was authorised for publication by the Committee is at Appendix 1.

1.4 The Committee held a public hearing in Albury on 17 November and three days of public hearings in Canberra on 21, 22 and 23 November. Witnesses who gave evidence are listed in Appendix 2. The Committee would like to thank the many organisations and individuals who provided submissions and evidence to the Committee at very short notice.

Background

1.5 Following the 2004 Federal election, the Prime Minister indicated that welfare reform was a key priority for his re-elected Government. The Prime Minister stated that 'income support for those of working age will be linked to employment programmes and services to reduce welfare dependency and increase workforce participation'.¹ The reforms were introduced in the 2005-06 Budget. It was stated that

1 The Hon John Howard, Prime Minister, *Media Release*, 'Fourth Howard Ministry', 22.10.04.

there was a need for increased workforce participation to maintain Australia's high living standards particularly given the ageing population and to ensure that the welfare system is sustainable to ensure that it meets long term needs.²

The need for reform

1.6 The Department of Employment and Workplace Relations (DEWR) provided detailed information on the welfare dependence of working age Australians. In September 2005, 19 per cent of working age Australians were receiving an income support payment. That is 2.6 million people out of 13.7 million people of working age (people aged 15 to 64 years) in Australia. DEWR noted that this high rate of welfare dependency was occurring despite a relatively low working age unemployment rate of 5.2 per cent. More people were receiving the Disability Support Pension (DSP) and Parenting Payment than any other form of income support. More people are in receipt of the DSP than Newstart Allowance (unemployment benefit).³

Table 1: Working age (15-64) population, labour force and income support, September 2005

	Number of people	% of working age population	% of working age income support recipients
Working age population	13,699,900	100.0	n/a
Employed	9,878,200	72.1	n/a
Unemployed	545,200	4.0	n/a
Income support recipients	2,592,285	18.9	100
- Disability Support Pension	708,410	5.2	27.3
- Parenting Payment	612,866	4.5	23.6
- Newstart/Youth Allowance (other than students)	523,707	3.8	20.2
- Student payments*	387,169	2.8	14.9
- Other payments**	360,133	2.6	13.9

Notes:

* Austudy, ABSTUDY and Youth Allowance for full-time students or new apprentices.

** Includes Carer Payment, Special Benefit, Partner Allowance, Sickness Allowance, Widow Allowance and Mature Age Allowance and female Age Pensioners below the age of 65.

Source: Submission 47, p.4 (DEWR).

2 Australian Government, *Welfare to Work*, 10.5.05, pp.1-2.

3 *Submission 47*, pp.3-4 (DEWR).

1.7 DEWR also noted that there has been significant growth in dependency on DSP since 1980: from 2.3 per cent of working age adults claiming DSP to over 5 per cent (708,000 people) in 2005. Parenting Payment Single (PPS) has also increased by over 33 per cent in the last seven years. Those receiving income support tend to remain on benefits for very long periods. For DSP recipients the average duration is around eight years, while for PPS recipients the average is around 12 years.

1.8 DSP and Parenting Payment are received without the need to look for work or participate in the labour force. While some working age income support recipients do work, at least from time-to-time, most receive income support payments with few if any obligations. Only 17 per cent of working age income support recipients actually have a job search requirement, although 15 per cent are undertaking full-time study.⁴

1.9 The Department stated that the high reliance of working age people on income support, with the majority of these people not participating in the labour force (either through undertaking part-time work or through looking for work), has two profound effects that need addressing:

- increased hardship experienced by people and families without jobs. This results in reduced wellbeing for individuals and their families during working age but also into retirement through lack of retirement savings; and
- a slowing in the growth of the labour force because of an ageing population. Australia already faces labour supply problems with an unmet demand for skilled workers.

1.10 DEWR stated that:

...an effective safety net will always be essential for those unable to work, but for those with a work capacity the focus should be on what they are able to do in conjunction with appropriate assistance to overcome barriers to employment.⁵

It was noted that Australia has the third highest rate of jobless families (two-thirds are sole parent families) in the OECD and the lowest employment rate of people receiving disability benefits of 16 OECD countries. This had occurred at time when 'jobs growth has been strong, real incomes have risen, and productivity has increased'. As a consequence DEWR commented that 'fewer people should be reliant on welfare for their principal source of income; but this has not happened'. The number of job seekers on unemployment benefits has fallen significantly in line with strong economic and employment growth, but the number of people receiving the DSP and PPS – both passive or largely passive payments – have increased significantly.⁶

4 *Submission 47*, p.3 (DEWR).

5 *Submission 47*, p.4 (DEWR).

6 *Submission 47*, p.5 (DEWR).

1.11 DEWR commented that passive income support is out of step with community norms and expectations and to a large extent reflects the historical purpose of different elements of the system. Australia's welfare policy was designed when full-time work was the norm and female labour force participation was low. This is no longer the case.

1.12 DEWR went on to note that analysis of the *Australians Working Together* reforms show that participation requirements are necessary to increase the take-up of employment and boost greater financial independence for parents and people with disabilities. Parents with participation requirements had the largest increase in the reporting of earnings compared with parents with lesser obligations. DEWR also pointed to OECD research which demonstrated 'a clear correlation between the introduction of activation strategies and changes in aggregate market outcomes'.⁷

1.13 DEWR concluded:

Reducing welfare dependency will help drive up employment rates, improve the well-being of income support recipients, reduce intergenerational social and economic problems, and help to raise the living standards of Australians.

The economy and labour market remain strong, labour shortages have emerged, and there are real prospects of people moving from welfare to work if engaged and serviced appropriately.⁸

Proposed changes

1.14 The proposed changes are directed at four groups of working aged Australians:

- parents on income support;
- people with disabilities on income support;
- mature age job seekers; and
- very long-term unemployed job seekers.

1.15 DEWR noted that the key principles underpinning the changes are that:

- working age income support recipients with the capacity and availability to work reasonable hours should be required to seek and undertake such work providing it is not unsuitable;
- they should be assisted to increase their employment prospects and find a job (and to this end most employment services are uncapped or demand driven for those with a job search requirement);

7 *Submission 47*, p.7 (DEWR).

8 *Submission 47*, p.13 (DEWR).

-
- there should be appropriate returns from working (and to this end the allowance income test will be made more generous to allow people to keep more of their income support as their earnings increase); and
 - there is a need for a modern compliance system that encourages and rewards participation.

The Department concluded that these principles reflect an appropriate balance between assistance, incentives and obligations.⁹

1.16 The Minister for Employment and Workplace Relations has noted that:

These reforms, which in many respects are long overdue, recognize that every Australian of working age has the right, and deserves the opportunity, to participate in Australia's prosperity. The best way for people to do this is by having a job and engaging in the economic and social life of our nation.

...At a time of sustained economic growth and unemployment at 28 year lows, it is unacceptable to have 2.7 million or 20% of working age Australians on income support. More than 1.3 million people in receipt of income support have little if any participation requirements. It is also unacceptable to have 800,000 jobless households, in which many generations of Australians do not know what it is like to have a job, let alone steady employment and regular income.

...No one denies the fact that a government must preserve a well-targeted social safety net, while at the same time encouraging working-age people to find jobs and remain employed. The welfare reforms in the Budget delivered last week demonstrate the Howard Government's strong commitment to this principle.¹⁰

1.17 Following the introduction of the legislation the Prime Minister stated that the reforms build on the work that started with the McClure Report in 2000¹¹ and the *Australians Working Together* package in 2001 to reduce the number of jobless households in Australia. The Prime Minister stated:

Growing up in a jobless household is one of the key predictors of poor later life outcomes, in employment, in health and in a range of other social indicators. We do not want to see the spread of intergenerational joblessness, welfare dependency and the helplessness that it generates.

We do not want to leave people on welfare...We want to help people back into jobs and towards self-reliance, and we are aiming to do that through a combination of obligations, assistance and incentives.

9 *Submission 47*, p.14 (DEWR).

10 The Hon Kevin Andrews, MP, Minister for Employment and Workplace Relations, *Increasing economic participation and opportunity: The key to sustaining our prosperity*, Melbourne, 16.5.05, pp.1-2.

11 Reference Group on Welfare Reform, *Final Report, Participation Support for a More Equitable Society*, (McClure Report) August 2000.

I do not consider that we are doing that in a heavy-handed way, but rather with a reasonable set of obligations and a good deal of support...But I think we need to set up a new set of expectations for people entering the welfare system in the future. That is, that they will receive the benefit that supports job search – that is, Newstart Allowance – and not a pension-level payment when we are asking them to look for work.¹²

Response to the reforms

1.18 Organisations who made submissions to the inquiry supported the policy of encouraging workforce participation and the lessening of long-term welfare dependence in Australia but did not support the Government's proposed approach. ACOSS stated it had long supported welfare to work initiatives, including compulsory job search and training requirements where relevant and appropriate. ACOSS also commented:

We are deeply concerned that 700,000 people have to rely on DSP for their income, 600,000 rely on Parenting Payment, and almost 600,000 rely on unemployment payments, and that almost one in five children is growing up in a jobless family.¹³

They noted that by international standards reliance on social security among people of working age in Australia is not high. However, the main problem faced after years of strong jobs growth is that most of those who remain jobless are drawn from the most disadvantaged sections of the community and it will be difficult for these people to move off income support. The reasons for this include employer resistance; limited skills; poor health; recent marital separation or domestic violence; and the need for many recipients to live in regional areas with fewer jobs so they can afford the rent.¹⁴

1.19 ACOSS also commented that an important goal for welfare reform is to assist more people with disabilities into employment. It noted that in Australia, the overall number of disability pensioners is above average when compared to other wealthy countries, but 'only 9% of our disability pensioners have jobs compared with an average of about 30% for other countries'. ACOSS concluded that 'unfortunately the disability pension is still widely regarded as "the end of the line" for people's future career prospects'. However, ACOSS did not believe that 'simply diverting people from DSP to Newstart Allowance, or making them look for work and reducing their pensions' was a solution. ACOSS concluded that the main outcome of these reforms for people with disabilities would be more hardship.¹⁵

12 The Hon John Howard, Prime Minister, (delivered by the Hon Peter Dutton MP, Minister for Workforce Participation), *Address to the Australian Council of Social Service*, 10.11.05.

13 *Submission 28*, p.11 (ACOSS).

14 *Submission 28*, pp.13-14 (ACOSS).

15 ACOSS, *Effects of possible changes to the Disability Support Pension*, ACOSS Info 371, April 2005, pp.2, 17.

1.20 UnitingCare stated that the proposals failed to recognise changes in the Australian labour market.

While UnitingCare Australia supports reform measures that allow for joint and meaningful participation between Government, individuals, families and communities, and the services that enable reform to occur, it is essential that these reform measures seek to utilise empowerment rather than compliance or they risk endangering their very objectives...In our experience, across Australia, people want to work. A necessary component, therefore, for providing pathways to employment is to ensure that policies seek to identify and address the multiple barriers people face...and encourage and empower unemployed Australians rather than relying on negative incentives that stigmatise individuals and risk reinforcing fear and poor motivation.

Many of the proposed initiatives represent overtly coercive strategies to achieve welfare reform, rather than promoting a sense of mutual and meaningful participation.¹⁶

1.21 UnitingCare went on to state that despite the economic stability of the country, 'more and more Australians are struggling to live with dignity and hope within an ever-changing environment'. It noted that there have been significant changes in the structure of the family unit, with many more non-traditional family structures; there has been a significant rise in casual employment which disadvantages low-income and low-skilled workers; unemployment is no longer short-term and sporadic but since the late 1980s intergenerational unemployment had emerged; and industrial relations changes are likely to reinforce existing trends towards increased part-time and casual employment.¹⁷

1.22 UnitingCare concluded:

Our experience...is that the challenges of moving the last tranche of unemployed Australians off welfare and into work are more around ensuring that jobseekers have adequate life-skills prior to seeking work, that they are job ready, and that there are adequate post employment supports to help them stay in a job once they have found one, than they are around matching them for a job. The other major challenge is that there are many areas in Australia in which jobs are simply not available.¹⁸

1.23 Both The Smith Family and The Brotherhood of St Laurence (BSL) welcomed the emphasis on training and work experience.¹⁹ BSL stated that this was 'encouraging' and that:

16 *Submission 12*, pp.2-3 (UnitingCare).

17 *Submission 12*, pp.3-4 (UnitingCare).

18 *Submission 12*, p.4 (UnitingCare).

19 *Submission 18*, p.2 (The Smith Family).

BSL has argued that over the last few years social security and employment policies have been too inflexible and not tailored to the particular circumstances of job seekers.

In addition, BSL stated that it supported initiatives to help people with disabilities and sole parents into employment, 'since many would like to work but face a combination of barriers to employment' and concluded that 'the Government has an opportunity to make a significant difference to the lives of people involuntarily excluded from employment'. However, BSL stated that the proposed changes to require new applicants for the Disability Support Pension, and who no longer qualify, to apply for Newstart was an out-of-date approach.²⁰

1.24 In relation to the proposed changes for sole parents, BSL stated that 'there is virtue in seeking ways to raise the workforce participation of sole parents and reduce the financial disadvantage of their families' but there was concern about how the reforms might affect this group. The Brotherhood went on to state that policy must 'address the considerable demands of being a sole parent and the unique barriers to combining work and caring they experience'.²¹

1.25 The Smith Family also raised some concerns, including the adequacy of the employment preparation initiatives; the capacity for individuals returning to the workforce without formal education qualifications to compete for employment other than low-skilled, low-waged and insecure jobs; the impact of the intense competition for jobs due to relatively high levels of over-education in Australia; and high unemployment in rural and regional areas.²²

1.26 Other submissions supported particular aspects of the legislation (details of the Welfare to Work package's provisions are outlined in Chapters 2 and 4). The Physical Disability Council of Australia welcomed the removal of the 90 minute rule for travel in relation to Newstart and Youth Allowance; the increased Mobility Allowance and the right to return to the Disability Support Pension for any reason within two years.²³ The Haemophillia Foundation Australia supported the expansion of specialist employment assistance places; the liberalised rules relating to eligibility for the Pensioner Concession Card and other allowances and the retention of DSP when recipients undertake up to two years of employment, and engagement with employers to encourage a more open approach to employment of people with disability; the streamlining of the assessment and referral system; and increased allocations for workplace modifications and wage subsidies.²⁴

20 Brotherhood of St Laurence, *Brotherhood comment*, 'Welfare reform for better or worse: How are proposed changes likely to affect vulnerable Australians?', April 2005, p.6.

21 Brotherhood of St Laurence, *Brotherhood comment*, 'Sole parents: Finding the right balance?', April 2005, p.8.

22 *Submission* 18, p.2 (The Smith Family); see also *Submission* 20, p.2 (St Vincent de Paul).

23 *Submission* 9, p.13 (PDCA).

24 *Submission* 42, p.1 (Haemophillia Foundation Australia).

1.27 ACROD, while voicing concern at several of the measures contained in the legislation, supported a number of the features of the Welfare to Work package:

- an expansion of specialist disability open employment places and the removal of the funding cap on these places for certain people with disabilities, in order to guarantee them an appropriate level of employment assistance;
- extension of eligibility for the Pensioner Concession Card, Telephone Allowance and Pharmaceutical Allowance to some Newstart and Youth Allowance recipients;
- increased allocations for workplace modifications and wage subsidies and a more generous Mobility Allowance for some people with disabilities;
- engagement with employers to encourage a more open approach to employment of people with disability;
- streamlining the assessment and referral system, with the aim of reducing the number of assessments a person must undergo and the time it takes to refer a job seeker to an employment service or vocational rehabilitation service;
- certain exemptions from the income support changes: specifically, the existing DSP population (at 10 May 2005), people who require ongoing support to work part-time, and people whose disability prevents them from working at a productivity level that attracts award wages;
- exemption of parents caring for children with a disability or illness from activity tests; and
- access to employment entry payment for people with disabilities who have a partial work capacity.²⁵

25 *Submission 49*, p.2 (ACROD).

CHAPTER 2

EMPLOYMENT AND WORKPLACE RELATIONS LEGISLATION AMENDMENT (WELFARE TO WORK AND OTHER MEASURES) BILL 2005

2.1 The Welfare to Work reforms are targeted at four groups of working age Australians: parents on income support; people with disabilities on income support; mature age job seekers; and the very long-term unemployed. The following gives an overview of the changes proposed by the Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005 for each of these four groups as well as the new compliance framework.

Parents on income support

Background

2.2 Parents may receive Parenting Payments and around 610,000 people currently receive this payment. The number of single parents on parenting payment has grown by over 100,000 (33 per cent) in the last seven years.¹ More than 80 per cent of single parents receive income support and although many work part-time, on average they remain on income support for an estimated 12 years or more of their working age life.²

2.3 Welfare reform to address a range of workforce barriers for low-income parents was instigated following the 2000 Report of the Reference Group on Welfare Reform (the McClure Report).³ The McClure Report noted that children in families experiencing long term joblessness are more likely to rely heavily on income support as they grow up and that long term economic and social disadvantage has negative consequences for individuals, their families and the broader community. Paid employment is also a major source of self-esteem and lack of paid employment during the prime working years, and consequent reliance on income support, reduce current and lifetime incomes.⁴

2.4 The McClure Report concluded that Australia's social support system must do more than provide adequate levels of income support for people in need; it must also 'ensure that people are actively engaged socially and economically, including in the labour force, to reduce the risk of long term social and economic disadvantage for themselves and their families'. The Report detailed a participation support system

1 *Submission 47*, p.5 (DEWR).

2 Explanatory Memorandum, p.30.

3 Reference Group on Welfare Reform, *Final Report, Participation Support for a More Equitable Society*, (McClure Report) August 2000.

4 McClure Report, p.3.

which included individualised service delivery, incentives and financial assistance to encourage and enable participation and mutual obligations. The Reference Group indicated that it had used the social obligations framework to develop a wide concept of mutual obligations with income support recipients having 'a responsibility to take-up the opportunities provided by government, business and community consistent with community values and their own capacity'.⁵

2.5 The Report recommended that initial steps be taken to require parents of high school age children to enter into a Participation Plan, including job readiness and needs assessment, part-time job search, part-time employment or part-time preparation for paid employment. It was also recommended that parents with primary school aged children attend an annual compulsory interview to discuss their current and future capacity for increasing participation. These measures were introduced in the *Family and Community Services Legislation Amendment (Australians Working Together and Other 2001 Budget Measures) Act 2003*.

Current arrangements

2.6 Currently, sole parents with a qualifying child aged less than 16 years may receive Parenting Payment Single (PPS) subject to various asset and income tests. At September 2005 the maximum rate per fortnight for PPS was \$488.90. PPS is subject to the pension income test and payment rate rules. A single parent with one child can earn up to \$148.60 per fortnight and receive full payment. Income over this amount reduces the pension payable by 40 cents in the dollar. Part payment is received when income is less than \$1385.35 per fortnight.⁶

2.7 Parenting Payment Partnered (PPP) is currently available to those where:

(a) Partner does not get a pension:

- for maximum payment the customer's income must be no more than \$62 per fortnight and the partner's income must be no more than \$607 per fortnight;
- customer's income reduces rate by 50 cents for each dollar between \$62 and \$245 and by 70 cents for each dollar above \$245 per fortnight;
- partner's income up to \$607 per fortnight has no effect. Income over this limit reduces the rate by 70 cents for each extra dollar;
- a part payment may be available if all the following conditions are met:
 - customer's income must be less than \$635.71 per fortnight, and
 - partner's income must be less than \$1128.43 per fortnight, and
 - the combined income of the couple must be less than \$1242.71; and

5 McClure Report, p.6.

6 Centrelink, <http://www.centrelink.gov.au/internet/internet.nsf/payments/chartc.htm>

-
- different limits apply if the partner receives Youth Allowance or Austudy Payment.

(b) Partner gets a pension:

- for maximum payment the couple's combined income must be no more than \$124 per fortnight;
- couple's combined income reduces rate by 25 cents for each dollar between \$124 and \$490 and by 35 cents for each dollar above \$490 per fortnight; and
- for part payment the couple's combined income must be less than \$1271.42 per fortnight.⁷

2.8 Parents on Parenting Payment are also eligible for other Government support, principally Family Tax Benefits. Family Tax Benefit adds substantially to the income support received by families in Australia.

2.9 From September 2003, those receiving a Parenting Payment for at least six months with youngest child aged six years or more, were required to attend an annual participation interview. Those with a youngest child aged 13 to 15 years must attend an annual participation interview and satisfy a part-time participation requirement – 150 hours of approved activity over 6 months. Approved activities include paid work, looking for work, participation in Job Network programs, education or training or voluntary work.⁸

Proposed arrangements

2.10 The proposed measures impact on both those currently receiving Parenting Payment and new applicants. Those parents who are in receipt of Parenting Payment Single (PPS) or Partnered (PPP) on 30 June 2006 will continue to remain on that payment until their youngest child turns 16 years of age. However, to access and retain this 'transitional status' the parent must meet certain requirements. These requirements include that the person does not change his or her relationship status; have not had their payment cancelled for more than 12 consecutive weeks; and must continue to meet the other qualification criteria for Parenting Payment. Additionally, there are part-time participation requirements under the transitional arrangements. The participation requirements commence from the later of 1 July 2007 or when the youngest child turns 7 years of age.

2.11 From 1 July 2006 new applicants will be eligible for PPS when their youngest child is aged less than 8 years. However, these parents will have part-time participation requirements when their youngest child turns 6. For PPP applicants Parenting Payment will apply when their youngest child is less than 6. Once the

7 Centrelink, http://www.centrelink.gov.au/internet/internet.nsf/payments/parenting_iat.htm

8 *Submission 47*, p.6 (DEWR).

youngest child turns 6 (for Parenting Payment Partnered) or 8 (for Parenting Payment Single), post July 2006 applicants will typically move to Newstart Allowance.

2.12 Those parents receiving Parenting Payment with participation requirements will be required to enter a Parenting Payment Activity Agreement. Those parents moving to Newstart Allowance will be required to enter a Newstart Activity Agreement.

2.13 The proposed arrangements introduce the concept of 'principal carer' parent for those on Parenting Payment or Newstart Allowance or Youth Allowance (Other) from 1 July 2006. A principal carer is a person who has the main care of a child under the age of 16 years. For principal carers, there is only a part-time work requirement. This reflects that 'while principal carer parents will generally have some capacity to work, they may not be available for full-time work when their parenting responsibilities are taken into account'.⁹

2.14 The new part-time participation requirements are similar to the current parenting payment participation agreement provisions but 'they have been amended to more appropriately align with participation provisions in Newstart Allowance'.¹⁰ The part-time participation requirements are:

- undertaking at least 15 or more hours per week of paid work; or
- job search to look for part-time work of 15 to 25 hours a week (offers over 25 hours a week will not have to be accepted), participate in employment services (usually Job Network) and undertake an annual Mutual Obligation activity (150 hours of approved activities over 26 weeks).

If the person is engaged for at least 30 hours per fortnight in paid work, then no other activity is required. However, they will remain eligible for assistance if they choose to increase their hours.¹¹

2.15 For principal carers on Parenting Payment, Newstart Allowance or Youth Allowance (other than full-time students or new apprentices), 'suitable work' is part-time work that the person is capable of doing, taking into account their caring responsibilities.

2.16 DEWR provided details of how the Department expects the provision for 'suitable work' to be impacted by:

- participation requirements;
- requirements for accepting offers of paid work;
- caring requirements;

9 *Submission 47*, p.15 (DEWR).

10 Explanatory Memorandum, p.38.

11 Explanatory Memorandum, p.39.

- supervision of care for teenage children;
- effects of changes to childcare arrangements;
- higher paying part-time work vs lower paying job of longer hours;
- how financial costs of compliance, such as travel costs, will be taken into account; and
- length of travel time.¹²

Exemptions for principal carer parents

2.17 Special family circumstances may make it appropriate for the participation requirements of principal carer parents to be reduced or exempted. Automatic exemption can be applied if:

- the principal carer is an active, registered foster carer;
- the parent is providing home schooling; or
- the parent is facilitating distance education for their child.

Any single parent, receiving Newstart or Youth Allowance and who has an exemption in one of these three groups will receive a higher rate of allowance (which will always be equivalent to the PPS (pension) rate). This higher rate recognises that these parents are choosing to perform significant and ongoing tasks over and above those involved normally in parenting and caring, and for which there can be additional associated costs.

2.18 Temporary exemptions will be considered on a case-by-case basis for a range of situations such as having to care for sick children or high stress associated with recent separation or involving domestic violence.¹³

2.19 An application for an exemption must have verifiable circumstances and will be assessed on a case-by-case basis for all groups other than active registered foster carers, parents providing home schooling and parents distance educating their children. Any exemption will be subject to review and if the grounds for the period of exemption from participation no longer exist the exemption may be revoked.

2.20 A principal carer of a child who suffers from a physical, intellectual or psychiatric disability or illness may seek relief from part-time participation requirements. The level of participation requirements, when negotiated, will take into account:

- the extent to which the child is able to attend school, and if necessary, outside school hours care, without the principal carer parent being constantly at hand or on call; and

12 *Submission 47*, pp.16-18 (DEWR).

13 *Submission 47*, p.19 (DEWR).

- the assessment of a treating health professional stating that the principal carer needs to be always available to care for the child.

The period of the exemption cannot exceed 12 months but, following reviews, there may be subsequent exemptions from participation requirements for one or more other periods (also not exceeding 12 months).

2.21 To support these changes, from 1 July 2006, more parents who have children with very challenging physical, intellectual, psychological or behavioural difficulties will qualify for an expanded Carer Payment.¹⁴

2.22 Allowances will be made if, for example, a parent did not attend a job interview or training course due to caring for a sick child.

2.23 A principal carer parent unable to fully meet participation requirements associated with having four or more school-age children (aged 6 to 15 years) may be able to have requirements reduced, or have an exemption from requirements granted, on a temporary basis.

2.24 Some people will fit into more than one of the Welfare to Work target groups, for example parents with disability. In this situation, people will be assessed for the most appropriate income support payment based on individual circumstances. Assessment will take into account capacity to work due to disability and availability to work as well as considering eligibility against the other criteria for particular payments.

2.25 An exemption is also available where a person:

- have ceased to be a member of a couple within 26 weeks of the determination;
- have been subject to domestic violence in that period of 26 weeks; and
- have not again become a member of a couple.

As is current practice, situations involving domestic violence which fall outside those special circumstances will continue to be considered for exemptions relying on the 'special circumstances' exemption. The first period of an approved exemption must be 16 weeks. For any subsequent exemptions, the maximum period of the exemption from participation requirements is 16 weeks. If the circumstances that originally applied when a period of exemption was granted, no longer apply, then the temporary exemption ceases, and the person is required to comply with the participation requirements.

2.26 Principal carer parents who are exempted because of domestic violence will be connected to an employment service provider such as Job Network, but will not have to attend an appointment during the period of the exemption. They will be temporarily exempted (initially for 16 weeks) from meeting requirements until their

14 Mr Peter Dutton MP, Second Reading Speech, *House of Representatives Hansard*, 9.11.05, p.6.

situation has stabilised. Centrelink will be provided with guidelines detailing how domestic violence exemptions are to be administered.

Additional assistance

2.27 Parents will have full access to employment assistance. This includes a new employment service, Employment Preparation, which will be established within Job Network to assist parents, carers and mature age people returning to the workforce.

2.28 Employment Preparation will provide tailored individual assistance to parents. It may include assistance with fees to pay for short courses to update skills, career counselling, addressing self-esteem, or assistance with the practicalities of using outside school hours care. Employment Preparation will be an uncapped (ie demand driven) service for all eligible people receiving income support. However there will also be a capped number of places available for parents returning to the workforce who are not on income support.

2.29 To further ensure that they receive a high level of servicing within Job Network, parents will be given a Job Network Service Guarantee for Parents that will specify exactly what services parents can expect from the Job Network.¹⁵

2.30 Single principal carer parents in receipt of Newstart Allowance will also have access to the Pensioner Concession Card, the Pharmaceutical Allowance and the Telephone Allowance.

People with disabilities on income support

Background

2.31 In 1980, 2.3 per cent of Australia's working age population were claiming the Disability Support Pension (DSP). By September 2005 this proportion had more than doubled to 5.2 per cent (708,410 people). Australian government spending on the disability support pension exceeded \$8 billion in 2004-05.¹⁶

2.32 Only around 10 per cent of DSP recipients are in the paid work force in Australia while the average among OECD countries is around 30 per cent.¹⁷

2.33 The Government has stated that 'the current test for disability support pension effectively encourages many people with disabilities who can do some work to withdraw from the labour market' and that the changes to the work hours threshold proposed in the Bill are consistent with recommendations of the McClure Report which recommended the work capacity criterion for the DSP be reviewed to ensure

15 *Submission 47*, p.16 (DEWR).

16 *Submission 47*, pp.4-5 (DEWR).

17 Second Reading Speech, p.6.

that it does not discourage people with disabilities who can do some work from participating in the labour market.¹⁸

Current arrangements

2.34 Currently a person may receive DSP if they have an illness, injury or disability and are:

- aged 16 or over and under Age Pension age, and
- assessed as not being able to work full time or be retrained for full time work for at least two years because of the illness, injury or disability, or
- permanently blind, or
- participating in the Supported Wage System.¹⁹

2.35 To qualify for DSP a person must not have the capacity to work for 30 or more hours a week at award wages within 2 years, taking into account the training that may assist a person to increase his or her work capacity.

2.36 At September 2005, DSP for a single person over 21 years of age was \$488.90 per fortnight and for a couple \$408.20 each. Since July 2000 this payment has included a pension supplement. The DSP is subject to the pension income test and payment rate rules. The income test for a single person on the DSP aged over 21 years allows for full payment when a person earns up to \$124 per fortnight and for part payment for earnings of less than \$1360.75 per fortnight. Different income tests apply for DSP recipients under 21 years of age. People who are permanently blind and receiving DSP are exempt from the income test.

2.37 At present DSP recipients are not eligible for the Work for the Dole supplement.

Proposed arrangements

2.38 In his Second Reading Speech the Minister outlined the Government's new approach to people with disabilities. He stated:

From 1 July 2006 the focus will shift to the capacity people have to work – not their incapacity or their inability to work.²⁰

2.39 Those people receiving DSP on 10 May 2005 will not be affected by the changes to the DSP qualification. There will be no participation requirements but recipients can volunteer for unlimited Job Network places and capped vocational rehabilitation or Disability Open Employment Services places.

18 Explanatory Memorandum, p.15.

19 Centrelink website accessed 15 November 2005
http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_dsp.htm

20 Second Reading Speech, p.5.

2.40 People who qualify for DSP between 11 May 2005 and 30 June 2006 will be assessed under the current eligibility criteria. After 1 July 2006, these recipients will be reassessed in periodic reviews including undertaking a Comprehensive Work Capacity Assessment. The reviews will generally be two years after grant of the DSP.²¹

2.41 People with disabilities claiming income support after 1 July 2006 will come under the new arrangements. A person will qualify for the DSP under the new measures if they are assessed as, amongst other things, having a continuing inability to work because of an impairment, that is, they are not able to do 15 hours or more work per week at award wages within the next 2 years independent of support. People assessed as having a continuing inability to work and so receive the DSP will not have any activity requirements. People on DSP who leave payment for work can return to DSP within two years if they are unable to maintain their employment for any reason.

2.42 A person's ability to work will be reassessed by a Comprehensive Work Capacity Assessment (CWCA). CWCA's will be conducted by relevant rehabilitation professionals, and will determine medical impairment, work capacity, assistance needs (including specialist rehabilitation where appropriate) and referral options. CWCA providers will have access to a new stream of funds – the Prevocational Account – to help with short-term rehabilitation where appropriate.²²

2.43 When considering a person's 'continuing inability to work':

- the types of activities that could assist the person to prepare and train for work in the next 2 years are considered. The Bill broadens the types of activities that could assist the person to build his or her capacity and specifically includes programs and activities designed for people with physical, intellectual or psychiatric impairments. It was noted that 'this recognises that the work capacity of people with disabilities can markedly improve when people access services that are appropriately tailored to their needs'.²³ Referral options include:
 - Job Network;
 - Disability Open Employment Services;
 - Vocational Rehabilitation Services; or
 - Personal Support Programme;²⁴
- a person's local labour market conditions will not be considered, regardless of a person's age. This will ensure consistency in the assessment of work capacity for all people of working age;²⁵ and

21 *Submission 47*, p.21 (DEWR).

22 *Submission 47*, p.23 (DEWR).

23 Explanatory Memorandum, p.19.

24 *Submission 47*, p.22 (DEWR).

- the person's ability to work independently of a program of support is considered. To be considered to be doing work independently of a program of support, the Secretary must be satisfied that the person is:
 - unlikely to need a program of support to do the work;
 - likely to need a program of support but only occasionally; or
 - likely to need a program of support but the provision of the program of support is not ongoing.

Programs of support include the Disability Open Employment Services and Post Placement Support from a Job Network Service.²⁶

For example, if a person is capable of working 15 or more hours a week at award wages within 2 years, but to do the work the person will require ongoing or regular support, then the person will also qualify for DSP.²⁷

2.44 Under the proposed arrangements, people with a disability who have the capacity within two years to work between 15 but less than 30 hours per week (without ongoing support in the open labour market), will not be eligible to claim DSP – they will have to apply for another payment, typically Newstart Allowance or Youth Allowance (if they are under 21 years old), and will have part-time participation requirements.

2.45 The part-time participation requirements are:

- undertake 30 hours a fortnight of paid work; or
- job search for part-time work, participate in appropriate employment services, and/or undertake an annual Mutual Obligation activity.

2.46 People claiming DSP, on or after 20 September 2006, except those who are permanently blind, will be subject to a seasonal work preclusion period. The seasonal work preclusion period ensures that people with higher than average earnings from seasonal work, support themselves for a period after ceasing a work spell.²⁸ An income maintenance period will also apply to DSP recipients.

2.47 The 'Work for the Dole' supplement will also, from 1 July 2006, be extended to DSP recipients who wish to participate in an approved program of work. Part 2.3 of the Social Security Act will be amended so disability support recipients who volunteer for Work for the Dole will receive the supplement of \$20.80 per fortnight, the same as all other participants in the Work for the Dole program.²⁹

25 Explanatory Memorandum, p.14.

26 Explanatory Memorandum, p.18.

27 Explanatory Memorandum, p.14.

28 Explanatory Memorandum, p.16.

29 Explanatory Memorandum, p.16.

2.48 People with disabilities will also have access to the full range of vocational and pre-vocational programs to help them with job preparation and job search activities. The Minister noted that 'places in vocational rehabilitation and employment services will be guaranteed for Newstart and Youth Allowance (Other) recipients with disabilities who have part-time work capacity'.³⁰

2.49 People with disabilities with a reduced work capacity receiving Newstart or Youth Allowance (Other) will also receive the Pensioner Concession Card, Pharmaceutical Allowance, the Telephone allowance and other concessions available to card holders. Job seekers with a disability and a part-time requirement will also be eligible for an Employment Entry Payment. A payment of \$312 will be available when a person with a partial capacity to work who works for at least 15 hours a week for four consecutive weeks or when the person's income from employment exceeds a threshold amount.³¹

2.50 The higher rate of Mobility Allowance will be available to DSP, Newstart Allowance and Youth Allowance (other) recipients who are working at least 15 hours per week (at award wages) or looking for such work under an agreement with an employment service provider. If these people move off income support into employment, they will be able to keep the higher rate of Mobility Allowance while they are working.

2.51 People on DSP who leave payment for work can return to DSP within 2 years without reclaiming, or attending an external assessment, if they are unable to maintain their employment for any reason. They will not be required to notify within 14 days to access this provision.³²

Mature aged unemployed

Background

2.52 The provisions in the Bill relating to mature-aged job seekers apply to Newstart Allowance recipients aged between 50 and 64. From 1 July 2006 this category of Newstart recipients will have almost the same job search requirements as other, younger, job seekers. According to DEWR:

Mature age people receiving Newstart Allowance will have their participation requirements brought into line with other unemployed people. This measure acknowledges that mature age people should put the same amount of effort into job search as younger people and that employment assistance provided should reflect the expectation that they will find work.³³

30 Second Reading Speech.

31 Second Reading Speech.

32 *Submission 47*, p.22 (DEWR).

33 *Submission 47*, p.26 (DEWR).

2.53 The Explanatory Memorandum stated that:

The changes recognise that people aged 50 years or over have the same capacity for work as younger job seekers.³⁴

2.54 DEWR stated that participation rates amongst older Australians are relatively low:

In its 2005 country report *Ageing and Employment Policies: Australia*, the OECD argues that there is considerable scope to improve employment opportunities for older Australians. It notes that the proportion of people aged between 50 and 64 participating in the labour market is much lower in Australia than in a number of other OECD countries such as Japan, New Zealand, Sweden and the United States.³⁵

2.55 Currently, mature aged job seekers registering for Newstart Allowance are referred to a Centrelink personal adviser, whereas those under 50 participate in Job Network.³⁶ This arrangement accords them the level of assistance provided to other groups disadvantaged in their search for employment.³⁷

2.56 Job search activity requirements for mature aged Newstart recipients are, under the current arrangements, less demanding than those applied to younger job seekers. Those aged over 55 are required to look for four jobs a fortnight, while those over 60 may look for only two per fortnight.³⁸ In addition, mature aged job seekers are not currently required to participate in Work for the Dole.³⁹

2.57 There is presently an activity test exemption for Newstart recipients over 50 years who undertake 32 hours per fortnight voluntary work, or 40 hours per fortnight combined unpaid voluntary and suitable paid work.⁴⁰

Proposed changes

2.58 Under the proposed changes, mature aged job seekers will no longer be referred to a Centrelink personal adviser to assist them to find work. Instead, they will be immediately referred to Job Network.

34 Explanatory Memorandum, p.70.

35 *Submission 47*, p.10 (DEWR).

36 There are exceptions for those who are incapacitated.

37 Centrelink fact sheet,
[http://www.centrelink.gov.au/internet/internet.nsf/filestores/lw011_0308/\\$file/lw011_0308en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/lw011_0308/$file/lw011_0308en.pdf), accessed 22 November 2005.

38 Section 606(1)(A) and 606(1)(B) of the *Social Security Act 1991*.

39 Explanatory Memorandum, p. 86. See also Centrelink web site,
http://www.centrelink.gov.au/internet/internet.nsf/services/work_dole.htm, accessed 21 November 2005

40 Explanatory Memorandum, p.83.

2.59 The activity requirements for mature aged Newstart recipients will also be brought into line with other recipients, though some differences will remain. Mature aged job seekers will share most of the activity requirements expected of those under 50 also participating in Job Network. These requirements are outlined in each job seeker's Preparing for Work Agreement, which is negotiated with their Job Network provider.

2.60 Further, mature-aged job seekers up to 60 who are deemed not to be genuine in their efforts to find work will be required to participate in the Work for the Dole program.

2.61 There are, however, still exemptions for the mature-aged. The Bill provides that job seekers aged 55 or over will be able to meet their participation requirements (or Activity Test) by undertaking a minimum of 15 hours a week (30 hours per fortnight) of approved voluntary and/or paid work. They will not be required to job search while undertaking this level of voluntary work.⁴¹ Newstart recipients over 50 years will also not be required to undertake additional Mutual Obligation activities,⁴² as other job seekers are required to do after six months of Newstart assistance.⁴³

2.62 DEWR outlined the extra assistance new mature aged Job Network participants would receive including eligibility for the new Employment Preparation Service:

To support this greater emphasis on finding employment, job seekers aged 50 or over will be eligible for the new Employment Preparation service in Job Network. This service will assist mature age people to return to the workforce by providing individualised assistance. This may include assistance in understanding modern methods of seeking employment and updating of skills, for example attending a basic information technology course. This service is available on an uncapped basis for mature age people receiving Newstart Allowance, and there are also a capped number of places available to mature age unemployed people without recent workforce experience. Mature age unemployed people not receiving income support who are interested in setting up a small business will also be able to receive assistance through a capped number of places in the New Enterprise Initiative Scheme (NEIS).⁴⁴

41 Explanatory Memorandum, p. 70. See also *Submission 47*, p.25 (DEWR).

42 *Submission 47*, p.26 (DEWR).

43 Centrelink fact sheet, [http://www.centrelink.gov.au/internet/internet.nsf/filestores/lw011_0308/\\$file/lw011_0308en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/lw011_0308/$file/lw011_0308en.pdf), accessed 22 November 2005. These activities may include doing an average 5 hours/week part time work over six months, training, community work, Work for the Dole, or Defence Force Reserve.

44 *Submission 47*, p.26 (DEWR).

Very long term unemployed

Background

2.63 The provisions in the Bill relating to the very long-term unemployed apply to those who have 'completed two periods of customised assistance'. DEWR's submission stated that the initiatives contained in the Bill will ensure that:

...they are neither overlooked when there is other help that could enable them to get work, nor will they be left to sit passively on income support when they are not serious about finding a job.⁴⁵

2.64 Currently, Intensive Support Customised Assistance represents the most intensive form of help offered through Job Network. DEWR describes this extra support as follows:

Customised Assistance - If you are still unemployed after 12 months your Job Network member gives you more services suited to your individual needs. You may receive special training to prepare you for work, counselling and work experience.

Depending on your needs your Job Network member may also give you:

- more intensive job search activities with fortnightly contact
- additional services, facilities and activities, such as interpreter services or some money for travel if you are referred to a job interview but cannot afford to get to the interview
- support while you are settling in to a new job.⁴⁶

2.65 Those who have undergone this process twice without successfully gaining employment are considered to be in the category of the very long-term unemployed. According to DEWR, these job seekers will have been unemployed for either 18 or 30 months, depending on their original assessment as to likely disadvantage.⁴⁷

Proposed changes

2.66 As a result of these changes, the very long-term unemployed will be subject to additional efforts by their Job Network provider to find work and/or improve their employability. After 1 July 2006, Job Network members will be required to reassess individual very long-term unemployment job seekers to determine what alternative 'servicing' they require.

45 *Submission 47*, p.27 (DEWR).

46 DEWR Job Network website, <http://www.workplace.gov.au/workplace/Category/SchemesInitiatives/JobNetwork/IntensiveSupportWPDUP1.htm>, accessed 21 November 2005

47 *Submission 47*, p.26 (DEWR).

2.67 In assessing this appropriate alternative, Job Network members will have one of four options:

- referral for a Comprehensive Work Capacity Assessment:
If job seekers are thought to have additional or multiple non-vocational barriers to employment that have prevented them from gaining sustainable work they may be referred for a specialist assessment by a Comprehensive Work Capacity Assessment provider who may then refer to another more appropriate type of assistance, or payment type, such as DSP.⁴⁸
- referral to full-time Work for the Dole:
If a Job Network member examines a job seeker's participation history and determines that they have demonstrated a pattern of work avoidance they may refer the job seeker to a Community Work Co-ordinator for a full-time Work for the Dole placement. A full-time Work for the Dole placement consists of 50 hours of participation per fortnight for a total of 1,100 hours. This is equivalent to 10 months participation. Job seekers may be referred to successive full-time Work for the Dole placements.⁴⁹
- placement in a full-time job with Job Network members using Wage Assist to provide a wage subsidy to the employer:
For very long-term unemployed job seekers who are genuine in their work efforts, Job Network members will have access to Wage Assist funds to help them gain entry to the labour force. Wage Assist provides employers with financial assistance up to the value of \$4,600 over a 26 week period for ongoing full-time jobs.⁵⁰
- ongoing Intensive Support servicing:
Job seekers who are genuine in their job search but who are not likely to benefit from Wage Assist, or where Wage Assist is unavailable, will continue to receive Job Network Intensive Support assistance with bi-monthly contacts with their Job Network member. The job seeker will also continue to undertake an annual Mutual Obligation activity, if eligible.⁵¹

Compliance framework

2.68 The Bill will replace the current breaching regime. The aim of the new compliance framework is set out in Explanatory Memorandum:

The Australian Government's employment and participation policies are framed in the context of the responsibilities of the respective parties. Government is responsible for providing income support for those who require it and provide employment and related services to help people into

48 *Submission 47*, p.26 (DEWR).

49 *Submission 47*, p.26 (DEWR).

50 *Submission 47*, p.27 (DEWR).

51 *Submission 47*, p.27 (DEWR).

work. In return, job seekers on these income support payments are required under social security law to meet the activity test in order to keep receiving their payment. The activity test requires people to actively seek work and do everything that they can to become ready for work.

The new compliance framework to be introduced on 1 July 2006 focuses on re-engagement as its key principle.⁵²

Current compliance system

2.69 Under the current breaching regime a Centrelink 'breach' occurs when a person receiving a Commonwealth benefit fails to fulfil the criteria set out by Centrelink in regards to their payment. There are two types of breaches – breaches of activity tests, (for example, failure to actively seek work or refuse a suitable job offer) and administrative breaches (for example, failure to comply with a notice to attend an interview with Centrelink).

2.70 Activity test breaches incur an 18 per cent reduction in payments for 26 weeks. A second breach incurs a 24 per cent reduction in your payment for 26 weeks and a third breach in any 2 year period incurs an eight week loss of payment. An administrative breach may attract a 16 per cent reduction in payment for 13 weeks.

2.71 In 2004-05, Centrelink imposed around 106,000 breaches, including 64,000 activity test breaches and 42,000 administrative breaches. In 2004-05 there were around 3,800 third activity breaches.⁵³ DEWR commented that as a result of this breaching regime, job seekers can incur long-lasting financial penalties regardless of any subsequent efforts to meet their requirements.

New compliance framework

2.72 The new compliance framework will be introduced on 1 July 2006. It focuses on re-engagement as its key principle. Under the proposed framework, if a job seeker fails to meet a participation requirement, they will generally be able to avoid any financial penalty by quickly re-engaging with their provider or program. A job seeker who persists in their non-compliance will have their payment withdrawn until they do comply. An 8 week non-payment period will be retained as a deterrent to more serious failures. These include:

- repeated participation failures (3 or more in a 12 month period);
- refusal of a suitable job offer;
- voluntary unemployment;
- purposely being dismissed from a suitable job due to misconduct; or

52 Explanatory Memorandum, p.71.

53 *Submission 47*, p.28 (DEWR).

-
- failure to participate in full-time Work for the Dole (for long term unemployed people who have displayed a pattern of job avoidance).

2.73 In relation to parents receiving Parenting Payment, there are similar compliance arrangements to Newstart Allowance arrangements. However, a participation failure for parenting payment does not include employer contact certificates; and job seeker diary.⁵⁴

2.74 Sole principal carer parents whose allowance is stopped following a participation failure, including those in an 8 week non-payment period, will retain access to concessions, including the Pensioner Concession Card. Add-on payments that are not contingent upon the job seeker's basic payment will not be affected by the non-payment penalty. This includes Family Tax Benefit and Rent Assistance paid through the Family Tax system. A parent who incurs an 8 week non-payment penalty will also be eligible for financial assistance to meet essential expenses through the Case Management initiative administered by Centrelink.

2.75 The new framework is broadly consistent with the recommendations of the Breaching Review Taskforce, which included representatives from the employment services industry and the welfare sector, as well as Government Departments.⁵⁵

54 Explanatory Memorandum, pp.42-43.

55 Explanatory Memorandum, p.72.

CHAPTER 3

ISSUES RAISED DURING THE INQUIRY

3.1 Since the announcement of the Welfare to Work package, there has been much consultation with welfare and community groups on the impact of the changes. The Government has taken on board many of the concerns raised, in particular the impact on single parents on income support with a youngest child aged between six and eight years, those in special circumstances such as foster carers and issues involving excessive travel time.

3.2 However, the Committee is of the view that there are still many misconceptions about the impact of the reforms, possibly exacerbated by the short time the public has had to consider the legislation since its tabling. The Committee heard extensive evidence regarding the significant safeguards provided by both the legislation already tabled and the guidelines to be made thereunder which will operate to facilitate the aim of the reforms: to ensure that every Australian of working age has the right, and deserves the opportunity, to participate in the nation's prosperity. Commentators have, in the Committee's opinion, either been unaware of or have understated the extent of these protections of the rights of those who may be caught up in the reforms.

The move to Newstart Allowance and the impact on income

3.3 Many submissions argued that moving parents and those living with a disability to Newstart Allowance was not appropriate. It was stated that Newstart Allowance is paid at a lower rate and that there are different indexation arrangements for pensions and allowances.¹ Other matters raised were the differing taper rates between Newstart Allowance and other income payments such as DSP; the impact of Effective Marginal Tax Rates (EMTRs);² and impact on eligibility for other benefits. Some witnesses argued that the changes will produce insuperable financial disincentives to work, particularly for sole parents, and so leave already disadvantaged people worse off.³

3.4 It was argued that the Bill would be a disincentive to move from Welfare to Work. St Vincent de Paul stated that 'the bills provide strong disincentives to, and

1 *Submissions* 14, p.3 (WEL); 17, p.2 (HREOC); 18, p.3 (The Smith Family); 20, p.4 (St Vincent de Paul); 28, p.18 (ACOSS); 22, pp. 5 - 6 (AFDO); 9, p. 9 (PDCA); 10, p.4 (BIA); 33, p.14 (CWA); 40, p.5 (MSA); 49, p.3 (ACROD).

2 *Submissions* 28, p.20 (ACOSS); 33, p.11 (CWA).

3 *Submission* 7, p.4 (NFAW); see also *Submissions* 26, p.4 (VCOSS); 31, p.5 (Women's Action Alliance); 35, p.5 (BSL-Anglicare).

exacerbate the poverty of, the target groups'.⁴ The Women's Electoral Lobby (WEL) submitted that:

This is a nonsense policy as it reduces incentives to work, their weekly income and their quality of life options. Yet \$230 is about the earnings level that many women working 15 hours a week can expect. After deducting the costs of going to work and maybe some child care fees, there is little benefit in going out to work and may be losses in family tensions. The argument that this may lead to better later job options may be undermined by loss of confidence and well being because of lack of both time and money.⁵

3.5 The NCSMC stated:

The legislation creates increased poverty. Cutting rates of payment will not assist a person to gain work, it will make it harder to meet household costs and provide for children's needs. The additional earnings threshold per child allowable under PPS does not exist on Newstart and will force families with more than one child into even deeper relative poverty.⁶

3.6 Hanover Welfare Services also commented that the lower payment will impact on vulnerable sole parent families and people with a disability, particularly given the existing crisis in affordable housing. Lower Newstart payments may induce a housing crisis and homelessness. Sole parent families may also have to move to lower rent areas which are often lower employment opportunity areas – perpetuating their disadvantage.⁷

3.7 Submissions also pointed out that people with disabilities have higher living costs. For example, the costs of special equipment, medication and travel expenses.⁸ The Australian Federation of Disability Organisations (AFDO) stated:

People with disability face higher costs of living and of looking for work as a result of their disability. Paying people \$40 per week less to live on will not lead to employment, it will simply leave people with disability further entrenched in poverty...the combination of decreased base payment, harsher taper rates and reduced income free areas will leave people with disability who have a reduced work capacity working for less than \$3 per hour.⁹

3.8 The Department of Employment and Workplace Relations (DEWR) responded that people who qualify for Newstart Allowance under the new

4 *Committee Hansard* 22.11.05, p.31 (St Vincent de Paul); see also *Committee Hansard* 21.11.05, p.48 (NWRN).

5 *Submission* 14, p.3 (WEL).

6 *Submission* 19, p.3 (NCSMC).

7 *Submission* 16, p.4 (Hanover Welfare Services).

8 *Submission* 3, p.4 (Mr D Heckendorf).

9 *Submission* 22, pp.5-6 (AFDO).

arrangements 'will have a payment rate and income test which is focused on getting a job'. The Committee notes that by gaining employment, even for 15 hours a week at the minimum wage, a parent or person with a disability will be better off financially than a jobless pensioner. This is of significant benefit to all: the individual involved; their family; and the Australian community.

3.9 The Department provided examples of the benefit of moving to Newstart Allowance and finding employment rather than staying on income support.

Table 3.1: Difference between weekly disposable income for a principal carer single parent (one child aged 8) on PPS with no job versus being on Newstart Allowance with a job

	PPS no paid work	NSA with 15hrs paid work
Private income @ \$12.75 per hour	0	191.25
Income support	247.35	134.95
FTB A – includes rent assistance	138.88	138.88
FTB B	46.90	46.90
Tax	0	-24.17
Total	\$433.13	\$487.81

Table 3.2: Difference between weekly disposable income for a principal carer single parent (one child aged 8, no earnings) on PPS versus Newstart Allowance

	Current PPS	New NSA
Income support	247.35	221.70
FTB A – includes rent assistance	138.88	138.88
FTB B	46.90	46.90
Total	433.13	407.48

Table 3.3: Difference between weekly disposable income for a person (no children) in receipt of DSP with no job, versus a person (no children) in receipt of NSA with a job

	DSP no paid work	NSA with 15 hrs paid work
Private income @ \$12.75 per hour	0	191.25
Income support – includes rent assistance	296.95	168.00
Tax and Medicare levy	0	-24.36
Total	296.95	334.89

Table 3.4: Difference between weekly disposable income for a couple (no children) with one partner in receipt of DSP, and one NSA (DSP/NSA), with no job versus a couple (no children) both in receipt of NSA with one job (NSA/NSA)

	NSA/DSP no paid work	NSA/NSA with 15 hrs paid work
Private income @ \$12.75 per hour	0	191.25
Income support (partner with no disability) – includes rent assistance	182.50	119.15
Income support (partner with partial disability) – includes rent assistance	252.35	207.35
Tax	0	-21.22
Total	434.85	496.53

Source: Submission 47, pp.33-34 (DEWR).

3.10 The Department concluded:

The important point to note there is that many of those will be on a partial payment because they will also be working part time and meeting that 15-hour requirement. So, in fact, they will be getting their income from work. This, in a sense, will be a top-up to that work. Those people will absolutely

be better off than if they were sitting on the disability support pension or parenting payment single without work.¹⁰

3.11 DEWR indicated that the Government is also implementing several significant changes to income support provisions and concessions from 1 July 2006. These include a more generous allowance income test for Newstart Allowance. The key changes are a reduction in the 70 per cent personal and partner income test taper rates to 60 per cent, and an increase in the income threshold at which the higher taper rate (60 per cent from 1 July 2006) applies; from \$142 to \$250 a fortnight for Newstart and Youth Allowance (Other). DEWR stated that this will be 'advantageous to all recipients who have earnings' and 'will improve the rewards from part-time work and help people move from welfare to work'.¹¹

3.12 The Committee also notes that there is other significant support for families with children available through Family Tax Benefits. The rate of Family Tax Benefit A for each child under 13 years is \$134 a fortnight. For each child between 13 and 15 it is \$170 per fortnight.

3.13 A further benefit of working is access to superannuation. Those in paid employment and earning more than \$430 a month receive a 9 per cent employer superannuation contribution. DEWR noted that even with earnings at the minimum wage of 15 hours per week, the accumulated Employer Superannuation Contribution Guarantee after 15 years would be \$16,400. DEWR concluded that 'this provides income for retirement that would not otherwise be available if a person were to remain on a pension payment and undertake little if any paid work'.¹²

3.14 The Department also noted that there is continued access to the Pensioner Concession Card, Pharmaceutical Allowance and Telephone Allowance for single principal carers and people with disabilities with reduced work capacity receiving Newstart or Youth Allowance (Other). Principal carer parents with part-time work requirements will also be eligible for an Employment Entry Payment when they gain or increase hours of work to 15 or more a week for four consecutive weeks. Single and partnered parents will receive a payment of \$104 while those with partial capacity to work will receive \$312.¹³

3.15 The Department provided evidence that research indicated that participation requirements are necessary to increase the up take of employment as indicated by analysis of the *Australians Working Together* reforms. Parents with participation requirements had the largest increase in the reporting of earnings compared to other parent groups with lesser obligations.¹⁴ Other research indicates that 'income support

10 *Committee Hansard* 23.11.05, p.10 (DEWR).

11 *Submission 47*, pp.31-32 (DEWR).

12 *Submission 47*, pp.32, 34 (DEWR).

13 *Submission 47*, pp.32-33 (DEWR).

14 *Submission 47*, p.6 (DEWR).

payments have a suppressing effect on people's labour supply because income support can help them reach their desired level of income with less work'. DEWR tabled a list of specific studies.¹⁵

Parents on income support

Impact on parenting responsibilities

3.16 Submissions raised concerns about the impact of the proposed changes on parenting responsibilities.¹⁶ Of particular concern was the impact of the changes on sole parents. Submissions noted that for single parents, combining paid work and parenting can be difficult.¹⁷ The Sole Parents' Union argued that 'this is a clear example of government policy which devalues parents' responsibility to their children once their children turns 6 and starts school'.¹⁸ It was also noted that parenting responsibilities change from time to time, particularly when a child is sick or during adolescence when many children need additional parental care and supervision. Participation by parents in school activities is also valued.

3.17 The Smith Family stated that the Bill itself makes little reference to the potential impact of its reforms on family life, and perhaps assumes that 'the supposedly increased monetary benefits of employment more than compensate for this'.¹⁹ The Human Rights and Equal Opportunity Commission (HREOC) stated that while it agreed with the Government's statement in the Explanatory Memorandum that the best support for families is paid work, this should not be at the expense of parents' ability to care for their children, particularly those of primary school age.²⁰

3.18 Concern was voiced about the impact on vulnerable families. For example, the National Alliance for Children and Families at Risk noted that the current child protection and alternative care systems are already overloaded and rife with problems stating that 'it is more than likely we will see more children "at risk" and in some cases in need of care and protection' as the reforms will place additional stressors on single parents.²¹ WEL commented on the impact on separated parents who share child custody where there may be more difficult child care arrangements, particularly if parents are working weekends or on shift work.²²

15 *Submission 47*, pp.6-7, Information tabled, 23.11.05 (DEWR).

16 See for example *Submission 18*, p.3 (The Smith Family).

17 See for example *Submission 12*, p.7 (UnitingCare).

18 *Submission 6*, p.1 (Sole Parents' Union); see also *Submission 14*, p.4 (WEL).

19 *Submission 18*, p.3 (The Smith Family).

20 *Submission 17*, p.1 (HREOC).

21 *Submission 13*, p.1 (National Alliance for Children and Families at Risk).

22 *Submission 14*, p.4 (WEL).

3.19 The Committee notes that the aim of the Welfare to Work package is to improve the economic position of the many parents who are locked into disadvantage by lack of paid employment. Much research shows that increased workforce participation by parents is highly beneficial at all stages of working lives: families benefit through improved wellbeing and increased income and therefore standard of living. Of significance is the impact of a working parent on the wellbeing of children and the outcomes for their later lives. DEWR pointed to research by the Australian Institute of Family Studies where parents reported positively on the role of employment in their lives and the Smith Family commented that its research:

...has highlighted how strongly important it is, because of the dual generation focus, for a young person to experience a parent – whether a sole parent or two parents – who has a good work ethic and can instil the values that would be needed to enable them to develop the capacity to engage.²³

3.20 The Committee also notes that there are mechanisms within the reforms to ensure that the needs of children are not overlooked. For example, temporary exemptions from participation requirements are available to parents when children are ill or have a disability and for reduced hours of schooling in the first few weeks of a child's first year at school. These are discussed in more detail later in this chapter.

Part-time participation requirements for parents

3.21 Under the proposed changes, principal carers on Parenting Payment, Newstart Allowance or Youth Allowance will have part-time job search requirements. The commencement date of their participation requirement is dependent on the age of their youngest child.

3.22 Witnesses raised a number of concerns with regards to the part-time participation requirements. WEL for example commented that the cost of going to work and child care fees may leave very little benefit in going out to work.²⁴ VCOSS stated that a sole parent who has recently left a situation of family or domestic violence should not be expected to look for work until they are able and ready to do so. In addition, a person's geographic location, travel costs and employment prospects relative to their location should be taken into account when activity requirements are imposed on them.²⁵

3.23 The Committee notes that there are significant safeguards in the Welfare to Work package for principal carers. These safeguards relate to the requirement to undertake 'suitable' work and to participation requirement exemptions. Together they ensure that principal carers will be able undertake their participation requirements while taking heed of their particular circumstances and the work they are capable of doing.

23 *Committee Hansard* 22.11.05, p.4 (The Smith Family); *Submission* 47, p.9 (DEWR).

24 *Submission* 14, p.3 (WEL).

25 *Submission* 26, pp.5-6 (VCOSS).

3.24 The concept of 'suitable' work foreshadowed by the Government ensures that principal carers will only be required to undertake part-time work of at least 15 hours per week that the person is capable of doing, taking into account their caring responsibilities. If a person is offered a suitable job of less than 15 hours a week the recipient will be required to accept the offer, but will also be required to continue looking for additional work until they are working at least 15 hours per week. For a job involving employment outside school hours to be suitable, child care requirements are to be taken into account (child care is discussed below). In addition to these safeguards, a principal carer would not have to accept a job if it would mean the person would need to give up a higher paying job (in terms of total pay) that the carer already holds.

3.25 In relation to the concerns received that travel, child care and other costs associated with being compelled to accept suitable work would mean that earnings would be negligible, DEWR indicated that financial costs will be taken into account in the assessment of suitable work. For example, a person cannot spend more than 10 per cent of their gross wage on travel.²⁶ DEWR concluded:

Basically, if there is a negative or low return from work, again, they are not obliged to take the job. As part of the guidelines, we will be producing issues such as the cost of transport, child care et cetera in that regard.²⁷

3.26 In addition, a range of payments are available that may contribute towards the costs of participation; for example supplements paid for participation in Work for the Dole, Community Development Employment Programme, and the Language Literacy and Numeracy Programme; Employment Entry Payment; and Mobility Allowance.

3.27 Finally, a person would not have to take up a job if commuting between the person's home and the place of work would be unreasonably difficult. This also includes the time required to travel to and from the place of outside school hours care. As a general rule, travel time of more than 60 minutes from home to work and vice versa (including any side trips in this journey to drop off or pick up children from care or school), would be considered unreasonably long for principal carer parents with part-time jobs.²⁸

3.28 The second raft of safeguards relates to access to exemptions for principal carer parents. This recognises that certain principal carers will have special circumstances that make it appropriate for the participation requirements to be reduced or exempted. In particular cases automatic exemption can be applied:

- if the principal carer is an active, registered foster carer;
- the parent is providing home schooling; or

26 *Committee Hansard* 21.11.05, p.17 (DEWR).

27 *Committee Hansard* 23.11.05, p.57 (DEWR).

28 *Submission* 47, pp.16-18 (DEWR).

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- the parent is facilitating distance education for their child.

3.29 Temporary exemptions will be considered on a case-by-case basis and are available for a wide range of circumstances: these include caring for a child with a disability; sick children; very high stress associated with recent separation; parents with large families (4 or more dependent children); parents looking after frail/aged persons and parents with episodic illness.

3.30 One very important temporary exemption is that which is available where a person has experienced domestic violence. In such cases, exemptions of 16 weeks are granted. Further exemptions may also be granted. Principal carer parents who are exempted because of domestic violence will be connected to an employment service provider such as Job Network, but will not have to attend an appointment during the period of the exemption. They will be temporarily exempted (initially for 16 weeks) from meeting requirements until their situation has stabilised. Centrelink will be provided with guidelines detailing how domestic violence exemptions are to be administered.

3.31 DEWR concluded that 'activity requirements for principal carer parents will be applied flexibly, and parents will not suffer any penalty for refusing work which is not assessed as suitable given their circumstances'.²⁹

3.32 The approach taken was supported in evidence by the National Employment Services Association (NESA) which stated:

Reforms in welfare systems are complex and NESA is pleased that the Government has reflected in its Bill the need to be mindful of the fragility of the many people who may be affected by these changes. NESA notes that there have been many provisions made within the Bill to ensure our most vulnerable income support recipients such as those who have experienced domestic violence or traumatic family breakdown are considered.

It is clear that it is inappropriate to build such a system on absolutes and individual need and circumstance must form part of the equation however equally there must be mechanisms to ensure that there is consistency and equity in these considerations. Particularly, when we are referring to the most vulnerable of Australian citizen's a reliance on their ability to appeal decisions and advocate on their own behalf would be an inadequate safety net. NESA believes that the broader community would disapprove of initiatives that were portrayed as being unfair or inequitable in their implementation.³⁰

3.33 Another concern raised in evidence was that the part-time participation requirement is for paid work only. Volunteer work in schools or elsewhere, tertiary or

29 *Submission 47*, p.16 (DEWR).

30 *Submission 30*, p.5 (NESA).

other long-term study, or caring for children, is not considered an adequate or acceptable fulfilment of requirements.³¹ The National Foundation for Australian Women also noted the importance of volunteers in Australian society and stated that the legislation is 'completely destructive towards, and demonstrating no recognition of the importance to the fabric of Australian society of volunteering'.³²

3.34 In relation to the comments concerning volunteers, the Committee notes that the part-time participation requirement requires a principal carer to undertake part-time work or job search and undertake an annual Mutual Obligation activity. The Mutual Obligation activity may include volunteer work. DEWR also commented that an employment service provider may consider that undertaking voluntary work was contributing towards getting an employment outcome, in which case they could write that into the Newstart activity agreement. Voluntary work would 'then become more than just mutual obligation; it could contribute to your job search'.³³

Child care

3.35 A major area of concern was the provision of adequate child care and the proposed requirement of a 'suitable' job being one where there was appropriate child care.³⁴

3.36 UnitingCare stated that to participate in the workforce, sole parents require flexible quality childcare that is affordable. The major issues concerning child care are access; availability; affordability; flexibility and high quality child care that caters for the wellbeing of children.³⁵ WEL argued that a parent would be compelled to take shift work even if it interferes with family care and responsibilities.³⁶

3.37 St Vincent de Paul stated that 'the promised funding for more child care places will not go anywhere near meeting the needs of people trying to participate in work or education and training'.³⁷

3.38 There was also concern that those on income support would be required to access inadequate and/or expensive child care in order to meet their participation requirements. NCSMC for example, argued that:

- children may be forced to move between child care providers and thus be denied continuity of care;

31 *Submission 6*, p.2 (Sole Parents' Union).

32 *Submission 7*, p.3 (National Foundation for Australian Women).

33 *Committee Hansard 23.11.05*, p.50 (DEWR).

34 *Submissions 17*, p.2 (HREOC); *19*, p.1 (NCSMC); *20*, p.5 (St Vincent de Paul); *27*, p.8 (ACTU).

35 *Submission 12*, pp.7-8 (UnitingCare).

36 *Submission 14*, p.5 (WEL).

37 *Submission 20*, p.5 (St Vincent de Paul).

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- children may be forced to move schools; and
 - principal carers can be forced to undertake activities when only informal care may be available – this is too great a burden to place on the carer and support network. It cannot be assumed that an informal carer can always be available when required. This will place inordinate stress on children, principal carers and their support networks.
 - deeming school as suitable child care does not take into account pupil free days, school holidays, public holidays.³⁸

3.39 Other witnesses pointed to the discretion given to the Secretary to establish that work is unsuitable if the person does not have access to appropriate care and supervision for their children when the person is required to work. HREOC stated it remained 'concerned that this still vests significant discretion in the Secretary on a matter that is vital to the ability of families to provide care for their children'.³⁹ HREOC considered that public servants are not in the best position to make decisions about the caring needs of a young child and that it is unfair and unreasonable to expect public servants to exercise discretion in what are frequently complex circumstances. HREOC also considered that the Bill too greatly lowers the age of the child at which the sole parent's participation requirements start.⁴⁰

3.40 In relation to the number of child care places, the Committee notes that the Commonwealth is providing a \$266 million package to child care over the next four years. It considers that this will assist parent in the transition from welfare to employment, education and training. The package includes:

- 84,300 extra Outside School Hours Care places;
- 2,500 extra Family Day Care places;
- 1,000 extra In-Home care places; and
- help for 52,000 families through Jobs, Education and Training Child Care fee assistance.⁴¹

3.41 The Department responded to concerns about child care arrangements for those with participation requirements. It noted that child care arrangements were an important element in whether a job was regarded as being suitable work for a principal carer. A job will be considered as unsuitable if the principal carer does not have appropriate child care or supervision available for the times when the person would be

38 *Submission 19*, p.5 (NCSMC).

39 *Submission 17*, p.2 (HREOC).

40 *Submission 17*, p.3 (HREOC).

41 *Welfare to Work*, p.10.

undertaking work. Appropriateness includes the cost and accessibility of the child care.⁴² In response to concerns regarding shift work DEWR stated:

The child care has to be available for people as a condition of suitable employment. So if the child care is not available, the employment can be deemed unsuitable and they do not need to take that job.⁴³

3.42 The Department also rejected suggestions that a parent would be required to accept child care available at antisocial hours or risk being found in breach. DEWR stated 'they [single parents] would be able to decline a job in nearly all instances'.⁴⁴

3.43 There was also much discussion in evidence in relation to child care for teenage children. The Department commented that in most instances, no approved child care is available for a teenager. However, a job would not be seen as 'suitable' where there was not appropriate care for the child. DEWR noted that the parent will make a decision as to whether they are happy having informal or other formal but non-approved child care arrangements. DEWR stated:

Essentially the parent would make the decision. It would be basically what the parent says to the [Centrelink] officer as to whether they do or do not have care arrangements for teenage children. All that Centrelink would be able to do would be to see if there was any approved child care as defined under the legislation available...If there is not, it is up to the parent.⁴⁵

Foster carers

3.44 The special circumstances of foster carers were noted in submissions. The Commonwealth has responded to concerns about foster carers who may be on Newstart Allowance or Youth Allowance. Principal carers who are registered and active foster carers will be exempt from participation requirements for a period of up to 12 months at a time. Single parents will also receive a new rate that tops up their income payment to the equivalent of the Parenting Payment Single rate. Active foster carers will also access the Pensioner Concession Card, Telephone Allowance and Pharmaceutical Allowance.

3.45 DEWR also stated that foster carers who are needed for respite and emergency care will be considered to be active foster carers and will get the automatic exemption.⁴⁶

42 *Committee Hansard* 21.11.05, p.17 (DEWR); see also *Submission 47*, p.17 (DEWR); Explanatory Memorandum p.41.

43 *Committee Hansard* 23.11.05, p.57 (DEWR); see also Additional Information, Questions on Notice, 23.11.05.

44 *Submission 47*, Additional Information, Questions on Notice 23.11.05 (DEWR).

45 *Committee Hansard* 21.11.05, p.20 (DEWR).

46 *Committee Hansard* 23.11.05, p.12 (DEWR).

People with a partial work capacity

3.46 During the course of the inquiry, a number of organisations expressed concern about the impact of the reforms on people with disabilities. People with Disability Australia (PWDA) argued that the reforms will keep people with disability 'marginalised and at a low ebb'.⁴⁷ The Physical Disability Council of Australia (PDCA) expressed concerns that some people will fail to benefit from the reforms.⁴⁸ Concerns were also expressed about some specific issues including the impact of discrimination in the work place, the cost of disability, difficulties of travel, and the special circumstances of people with mental illness.⁴⁹

3.47 PDCA suggested that 'existing DSP recipients will have reduced incentive to find work because of the risk that if it does not work out, they will be forced onto Newstart'.⁵⁰

3.48 The Committee notes that the Welfare to Work package also contains considerable safeguards for people with disabilities. Importantly, to address the problems suggested by PDCA, from 1 July 2006, a person on DPS who leaves payment for work can return to DSP within two years without having to make another claim if they are unable to maintain their employment for any reason. This will provide a safety-net for people with a disability who trial work and remove a significant barrier for those who wish to attempt a job placement but are fearful that it may not be within their capacity to do so.

3.49 A further safeguard incorporated in the legislation is that people with disability who are assessed as being able to work 15 or more hours per week within the next two years taking into account programs that could increase their capacity will be granted Newstart Allowance or another appropriate income support payment (subject to satisfying the other eligibility criteria). If, after the two years in such a program, their work capacity has not increased to at least 15 hours per week (because of a physical, intellectual or psychiatric impairment) these people will be able to qualify for DSP. DEWR stated:

This new qualification rule recognises that despite the provision of assistance to a person, at times, a person's capacity to perform work may not increase to the level that was initially anticipated. This may be because a person's impairment has deteriorated, or his/her recovery from an injury has taken longer than anticipated, or his/her residual level of impairment is greater than would have normally been expected.

47 *Submission 48*, p.3 (PWDA).

48 *Committee Hansard 22.11.05*, p.66 (PDCA).

49 *Submissions 10*, p.4 (BIA); 48, p.3 (PWDA); 3, pp.2-3 (Mr D Heckendorf).

50 *Submission 9*, p.9 (PDCA); see also *Submission 35*, p.7 (BSL & Anglicare).

This qualification for DSP recognises that for people who have made every effort to increase their work capacity, but have been unable to, the appropriate payment is DSP.⁵¹

3.50 The Committee notes that a person must be able to work at award wages independently of a program of support otherwise the person will have a 'continuing inability to work'. The Explanatory Memorandum stated:

This ensures that people who are working at full award wages in the open labour market who require significant support in the workplace on an ongoing basis to maintain that employment, such as attendant carer to assist with toileting and eating in the workplace, will continue to qualify for the disability support pension.⁵²

3.51 The Committee received evidence about the work availability of people who experience episodic illness or temporary illness for example epilepsy and schizophrenia. DEWR noted that in these instances, so long as the person has documented evidence from a treating health professional, he/she can apply for a temporary exemption from participation requirements or seek reduced activity test requirements. The person will still have participation requirements, but the requirements and the level of activities will be reduced to match assessed work capacity, or they may attract a temporary exemption.⁵³

3.52 In addition, Centrelink and employment service providers must take into account a job seeker's personal circumstances including any disability when setting a person's activity requirements. Both the legislation and policy guidelines ensure that the activity test is flexible, fair and reasonable for people with partial capacity. For example, when negotiating an activity agreement, consideration will be required to be given to such matters as family and caring responsibilities, the length of travel time required to get to a job or activity, and the financial costs to the job seeker of participation and their capacity to pay, including travel costs. The legislation also states that where an illness, disability or injury that would be aggravated by the conditions in which the work would be performed, the work would be considered unsuitable for the person. Under the new arrangements, the 90 minute rule applying to travel time will be reduced to 60 minutes for those with a partial capacity to work.⁵⁴

Availability of work

Labour supply

3.53 The Committee believes that the Welfare to Work reforms will only be successful if there are jobs for people to move into. Some organisations told the

51 *Submission 47*, p.24 (DEWR); see also Additional Information Questions on Notice 23.11.05.

52 Explanatory Memorandum, p.17.

53 *Submission 47*, p.25 (DEWR).

54 *Submission 47*, p.25 (DEWR).

Committee that this was a fundamental flaw to the Government's aims, as there was insufficient employment available for those that will be moved on to Newstart Allowance. For instance, the St Vincent de Paul Society submitted that:

Australian Bureau of Statistics figures show that the labour market is clearly failing to provide sufficient work for those already unemployed and underemployed.⁵⁵

3.54 The Brotherhood of St Laurence stated in evidence that compelling people to move off welfare and onto work would not assist in making jobs available:

We believe that unemployment is not caused by individual deficits. It is caused by a failure of labour market policies to provide sufficient jobs, which is still evident in the fact that there are currently nine job seekers for every vacancy, using the ABS extended labour underutilisation rate.⁵⁶

3.55 The Department disputed claims that there are poor work opportunities, particularly in non-metropolitan areas, for those seeking employment. DEWR stated that 'the labour market in non-metropolitan Australia is actually very strong'. In the last 12 months to October 2005, employment growth in non-metropolitan areas was up by 3.7 per cent, compared to 2.8 per cent in metropolitan areas. In addition:

- some 62 per cent of non-metropolitan statistical local areas had falls in the unemployment rate over the year to June 2005; and
- the overall unemployment rate in non-metropolitan Australia is 5.6 per cent and in metropolitan Australia it is 4.6 per cent, so in the whole of non-metropolitan Australia there is only a 5.6 per cent unemployment rate.

DEWR concluded:

There is not one single region in Australia which had a double digit unemployment rate in October 2005. Long-term unemployment fell by 18,300, or 30 per cent, in regional labour markets, and that was a much better outcome than in metropolitan areas, where it fell by 9,900, or 17 per cent [over the year to June 2005].

3.56 DEWR went on to state that the claims regarding lack of jobs 'are made on the basis of a very static model which says there are this many job vacancies in Australia on a particular day and there are this many people unemployed, plus bringing in all the marginally attached et cetera'. This does not take into account 'the fact that there is a massive amount of employment turnover every year in Australia...When they do that, it leaves the job that they have moved from vacant in many instances'. Australian Bureau of Statistics research shows that, in the 12 months prior to February 2004, 'there were about two million people who had commenced a new job in that year – very significant numbers in terms of a turnover effect'.

55 *Submission 20*, p.6 (St Vincent de Paul Society)

56 *Committee Hansard* 21.11.05, p.63.

3.57 Analysis conducted by DEWR into 20 labour market regions showed that for labourers and related workers in the 12 months to September 2005 there were about 210,000 vacancies and 48 per cent remained unfilled after 28 days. On the clerical side – for example, elementary clerical, sales and service workers at the lowest level – there were about 38,000 vacancies and 40 per cent remained unfilled after 28 days. In intermediate clerical, sales and services – including retail, and general services – there were 55,000 vacancies and 56 per cent remained unfilled. In total, for those groups that are low- to medium-skilled, there were 417,000 vacancies. Of those, 192,000 were filled within 28 days and 54 per cent remained unfilled after 28 days.

3.58 The Department examined the ACOSS analysis of the 50 electorates with the greatest number of people at risk because of the Welfare to Work changes. DEWR noted that 26 were in regional areas. Of the top five electorates identified by ACOSS as likely to be most affected by the Welfare to Work changes:

...three actually recorded a lower unemployment rate than the national average, so that suggests that there are significant chances of employment for those groups. Also, a couple of non-metropolitan regions, which were identified by ACOSS, are also showing very robust employment outcomes. Two examples are lower western WA, which increased employment by 18,600 or 14.6 per cent in the last year, and Wide Bay Burnett, which is traditionally a high unemployment area in Queensland, where there was a significant increase of 10,600 or 10 per cent in employment. Across the 26 regional electorates that ACOSS listed as part of that 50, the average unemployment rate was 5.9 per cent in June 2005. At the time, the national average was 5.3 per cent, so they were just 0.6 percentage points above the national average.⁵⁷

DEWR concluded:

All that indicates that there is significant potential to employ people with disabilities and parents across Australia.⁵⁸

3.59 The Committee concludes that the job market across regional Australia is not as parlous as some have suggested.

Barriers to employment – skills

3.60 During the inquiry, the Committee heard evidence that the Welfare to Work package did not provide mechanisms for job seekers to gain appropriate skills to enter the work force. ACOSS noted that many sole parents have only Year 10 level education, making it extremely difficult for them to access any but the most unskilled low-wage jobs, if they are able to attain employment at all.⁵⁹ The National Welfare Rights Network told the Committee that:

57 *Submission 47*, pp.12-13 (DEWR).

58 *Committee Hansard* 23.11.05, p.12 (DEWR); see also Additional Information, tabled 23.11.05.

59 *Submission 28*, p.5 (ACOSS).

People who have dependent children or a disability may have been out of the workforce for some time and or have additional barriers to obtaining employment. Making these people solely look for work in order to comply with their activity agreement without allowing other types of activity, such as training, will be counterproductive.⁶⁰

3.61 Those with disability are also disadvantaged in the labour market because of their lack of skills. It was argued that without a sufficient level of skill, many will remain on income support. Ms Julia Perry told the Committee that a high proportion of DSP recipients did not complete Year 12 or have post-secondary level education. She stated:

This is a disadvantage in the labour market, particularly for those who are incapacitated for manual work. The labour market is suffering from skills shortages and requires higher education levels among the potential workforce.⁶¹

3.62 DEWR indicated that the integrated employment services model addresses educational and skill needs. Job Network members are able to determine the needs of an individual which will lead to an employment outcome. These needs may include study and training. The Job Seeker Account is a dedicated pool of funds which Job Network members are able to use flexibly to purchase a wide range of employment related assistance for eligible job seekers.⁶²

3.63 The Committee notes that a new service, Employment Preparation, will be available to provide assistance to principal carer parents, mature age people over 50 and carers to prepare them for a return to the workforce. This service is tailored to the individual and may provide a diverse range of assistance such as referral to courses to update skills or qualifications, addressing self esteem or self-confidence issues and improving job search skills and techniques. People without recent workforce experience will participate in this service as soon as they are referred to Job Network (while in Job Search Support) while those with recent workforce experience will participate after three months in Job Network (while in Intensive Support).⁶³

3.64 The Committee believes that, although provisions exist in the legislation to provide mechanisms for job seekers to gain appropriate skills to enter the work force, this issue remains a sensitive one in the eyes of many stakeholders and needs to be kept under review. ACOSS asserted that:

...the package creates a disincentive to study to improve future job prospects, including denial of access to pensioner education supplement.⁶⁴

60 *Submission 32*, p.14 (NWRN).

61 *Submission 39*, p.4 (Ms Julia Perry).

62 *Submission 47*, p.40 (DEWR).

63 *Submission 47*, p.39 (DEWR).

64 *Committee Hansard 21.11.05*, p.24 (ACOSS).

3.65 While supporting the 'work first' emphasis of the Welfare to Work package, the Committee believes the Government should from time to time re-examine how it supports parents and people with disabilities seeking further education full time and/or on Austudy – and how it could improve the skills base of the targeted groups.

Recommendation 1

3.66 The Committee recommends that the Government closely examine the interface between further education, welfare and the needs of a changing labour market on a periodic basis.

Overcoming the barriers to work for people with a disability

3.67 Witnesses pointed to the significant barriers facing people with a disability in the workplace with ACROD stating that 'the low employment rate of Australians with disabilities owes much more to the barriers to employment that people with disabilities face than to their lack of willingness to work'.⁶⁵ Those barriers include the cost of transport; the cost of disability; discrimination; lack of flexibility in work practices and hours; employer prejudice; risk aversion by employers and people with disabilities; and access to buildings and public places.⁶⁶

3.68 In evidence, DEWR noted that one barrier to moving from welfare to work for people with disability identified was the fear of trying to move into employment while on DSP. DEWR indicated that providing for a person to move back onto DSP within two years if they are unable to cope with work for any reason would address this barrier.⁶⁷

3.69 DEWR also stated that to maximise the prospects of moving people into work, it is important to address demand side issues in the short term. To do this the package provides funding for an employer demand strategy, part of which is directed to measures to assist and encourage employers to employ people with disabilities.⁶⁸ The Commonwealth has provided increased funding for these measures which include:

- Workplace Modifications Scheme: this scheme reimburses employers for costs involved in modifying the workplace or purchasing special equipment for people with disabilities. As of July 2005, funding for this scheme was increased by \$25 million over four years.
- Wage Subsidy Scheme: as of July 2005, funding for the Scheme was increased by \$5 million over four years. It provides financial incentives for employers to employ people with disabilities under open employment

65 *Committee Hansard* 22.11.05, p.40 (ACROD).

66 *Submission* 9, p.2 (PDCA).

67 *Committee Hansard* 23.11.05, p.16 (DEWR).

68 *Submission* 47, pp. 34-36 (DEWR).

conditions, with the aim of improving their competitiveness by increasing their skills and experience.

- Supported Wage System: this enables people with disabilities to be paid according to their level of workplace productivity in the open workforce. It is an industrial mechanism that assists workers with a disability and employers to determine a productivity assessed award based wage.
- National Disability Recruitment Service: the Service coordinates the recruitment of job seekers with a disability.
- The online information and advice service will act as a one-stop-information-shop targeted toward potential and actual employers of people with disabilities, job seekers and workers with disabilities, and employment service providers. The website will include a searchable online database and will be supported by an expert individualised enquiry service available by telephone or email.
- Employer Roundtable: the Government has established an Employer Roundtable with the responsibility to provide high level advice to the Government on ways to increase workforce participation for people with disabilities through increased employer demand.⁶⁹

3.70 Mobility Allowance will be increased to \$100 per fortnight for people on Newstart Allowance or Youth Allowance (other) with an assessed work capacity of at least 15 hours per week and for those people on DSP being assisted by an employment services provider. If these people increase their hours of work and move off income support and continue to work, they will retain eligibility for this Mobility Allowance.⁷⁰

3.71 There was general agreement that the proposed increase in Mobility Allowance was a positive move by the Government. However, a number of submissions felt that the eligibility criteria for the increased rate of the Mobility Allowance was too restrictive and should be widened to include all persons on DSP and supported employees in Business Services, and that the rate was still low given the high cost of taxis.⁷¹

3.72 PDCA recommended that all people with disability who cannot use public transport should be eligible for Mobility Allowance at the higher rate to assist in working, retaining work and looking for work or training and education.⁷² Brain

69 *Submission 47*, pp.36-38 (DEWR); see also Additional Information 22.11.05 (DEWR).

70 Second Reading Speech, p.7.

71 *Submission 9*, p.10 (PDCA); 10, p.4 (BIA); 11, p.8 (WWDA); 21, p.6 (NCID); 48, p.4 (PWDA); 38, p.2 (CIDA); 49, p.5 (ACROD).

72 *Submission 9*, p.10 (PDCA).

Injury Australia suggested that the eligibility criteria for the increased rate of Mobility Allowance may be too strict.⁷³

Employment services and other support

3.73 The Welfare to Work package introduces an integrated working age support system that incorporates a range of assistance that a person of working age receives when they apply for income support. DEWR noted that:

An integrated system successfully assesses a person's needs and capacities and from this point provides the most appropriate type of financial and employment (or other related) assistance. This system provides a safety net to those who require it while also providing assistance to enable each person to actively participate and join the workforce to the level of their capacity and availability.⁷⁴

DEWR provided estimates of additional funding for services over three years for the Welfare to Work measures as follows:

Table 3.5

Welfare to Work Package announced in the 2005-06 Budget:	Estimated Programme Cost (\$m)			
	2006/07	2007/08	2008/09	3 Year Total
Vocational Rehabilitation	68.645	59.616	57.770	186.031
Disability Open Employment Services	37.364	71.967	64.232	173.563
Other disability services (including workplace modifications)	8.200	9.160	10.671	28.031
Personal Support Programme	21.068	23.895	21.041	66.004
JPET	0.136	0.085	0.087	0.308
Community Development Employment Project	9.662	6.934	7.744	24.340
Work for the Dole	32.326	36.714	38.150	107.190
Job Network*	165.475	284.097	283.815	733.387
Total	342.876	492.468	483.510	1,318.854

Notes:

- Job Network costs include the new Wage Assist and Employment Preparation services announced in the Budget.
- These listed services are only those in the DEWR portfolio. Other Welfare to Work services, such as Comprehensive Work Capacity Assessments are funded by other portfolios.

73 *Submission 10, p.4 (BIA).*

74 *Submission 47, p.37 (DEWR).*

3.74 Central to the new system is RapidConnect. RapidConnect is a 'work first' initiative to ensure unemployed people receive early access to Job Network assistance and employment opportunities, to improve their chances of finding work quickly. Some witnesses commented on the emphasis on the 'work first' approach. National Welfare Rights Network, for example, stated that the RapidConnect structure 'imposes on and requires of people activities before they are even on payment. In all our experience, clients do not understand any requirements, activities or anything that is being sought to be imposed on them until they have their income sorted out'.⁷⁵

3.75 The Department explained that following contact with Centrelink, job seekers will immediately undertake the Job Seeker Classification Instrument (JSCI) and where it is deemed to be appropriate, are referred to an appointment with a Job Network member (JNM) within two working days. Attendance at the JNM interview will be a condition of a job seeker being paid income support. This arrangement does not preclude job seekers who are not able to connect quickly with the Job Network from continuing to access income support under current provisions.

3.76 DEWR noted that the basis of RapidConnect is that the sooner a job seeker connects to the Job Network member, the sooner it is that they are likely to be able to get an employment outcome. DEWR stated:

There is no real logic in waiting several weeks until they have received their first income support payment and then be referred to a Job Network member when there are many job opportunities that might have gone by the way in the meantime. So, yes, the requirement would be that they would have to attend that interview. Then they would negotiate with that Job Network member what services they need, what support they need, what jobs are on offer, what they can and what they cannot do et cetera. This is based on a work for you program in New Zealand, which works very well. Essentially the outcomes from that are that 10 to 20 per cent of people do not actually need to go on income support. That is a very strong finding and something which the government has chosen to implement here.⁷⁶

3.77 The Committee notes the assurances that this new requirement will be applied flexibly: RapidConnect will not apply to job seekers who require either further assessment, such as a Comprehensive Work Capacity Assessment, or require a service other than Job Network. RapidConnect also does not apply in a range of other circumstances where it is not possible for a person to attend an appointment within the timeframe.⁷⁷

3.78 A further feature of the integrated approach to the employment services model is the Comprehensive Work Capacity Assessment (CWCA). From 1 July 2006, people applying for DSP and other job seekers with a disability or special needs will undergo

75 *Committee Hansard* 21.11.05, p.40 (NWRN).

76 *Committee Hansard* 23.11.05, p.58 (DEWR).

77 *Submission* 47, p.38 (DEWR).

a CWCA conducted by appropriately experienced and qualified staff. DEWR noted that:

The new service will provide a holistic and comprehensive assessment of a job seeker's barriers to finding work. Assessors will also assess the job seeker's capacity to work and the interventions required to overcome any barriers the person has in finding and keeping a job.⁷⁸

3.79 ACROD supported the new approach:

We strongly support the government's intention to streamline assessment. The assessment and referral system at present does not work particularly well. It involves multiple assessments for people with disabilities and their referral to appropriate services is, on the whole, patchy.⁷⁹

However, it called for a system of review of decisions and cross referral of services, while MS Society of Victoria argued that the time period of the 'test capacity' of two years was too long particularly in the case of degenerative conditions such as multiple sclerosis.⁸⁰ Queenslanders with Disability Network commented that the CWCA provisions 'have a strong emphasis on a "positive 'work first' focus" which may mean people with a disability are forced into accepting menial low paid jobs which do not reflect their true employment potential or ambitions'.⁸¹

3.80 Once a person has been assessed they will be referred to the most appropriate service for overcoming their barriers and assisting them to find work for example Job Network, Disability Open Employment Services or Vocational Rehabilitation Services. DEWR noted:

People who stay on DSP or new people going onto DSP would be those who would have an ongoing support need if they were going to move into employment. Disability Open Employment Services currently have about 39,000 to 40,000 places around the country. Capped places or places for the existing people on DSP are used in vocational rehabilitation. There are approximately 23,000 places a year, and there will be some people who might move into the personal support program...approximately 25,000 new places over three years for the personal support program. These people are not necessarily disabled as such, in the context of their moving into vocational rehabilitation, but they have multiple barriers, and mental health is a strong identifier within that PSB group.⁸²

78 *Submission 47*, p.39 (DEWR).

79 *Committee Hansard 22.11.05*, p.40 (ACROD).

80 *Submission 40*, p.10 (MS Victoria).

81 *Submission 8*, p.1 (QND).

82 *Committee Hansard 23.11.05*, p.59 (DEWR).

The compliance framework

3.81 For some time, the current compliance framework has drawn criticism for being punitive, inflexible and resulting in those who breach incurring long-lasting financial penalties. National Welfare Rights Network generally welcomed the cessation of the current 'rate reduction' breach and penalty regime because of its excessively harsh penalties and emphasis on punishment well after the breach. The Network stated that:

In this context, there is much about the new compliance regime, as presented in the Bill (as opposed to the provisions announced at Budget time) that NWRN also welcomes, in particular the shift towards an emphasis on encouraging re-connection and compliance rather than punishment.⁸³

3.82 However, as with a number of other organisations, the National Welfare Rights Network argued that there were a number of problems with the provisions in the Bill. In particular, they emphasised the 8 week no payment period; the introduction of a number of immediate 8 week no payment penalties; the removal of the distinction between activity and administrative breaches; and the extension of the new compliance framework to people with disabilities and parents.⁸⁴

3.83 Catholic Welfare Australia stated that the proposed breaching regime is unduly and unnecessarily harsh and 'if the ultimate objective of the breaching regime is to actively re-engage with job seekers, it is counterproductive'.⁸⁵ Many submissions expressed concern about the impact families and disadvantage people faced if payments were not received for 8 weeks. It was argued that without financial support families with children are at serious risk of homelessness and that people who are already disadvantaged will be further disadvantaged.⁸⁶ VCOSS stated:

VCOSS fears that a complete loss of income for even a short period of time for people in these circumstances, who will be financially worse off on lower payments and so have even less capacity to accumulate savings to 'tide them over' in an emergency, would have grave implications for their health and wellbeing, and that of their children...As well as making their lives more precarious, such a penalty measure would also negatively impact on their ability to look for, and find, work, or participate in education and training programs.⁸⁷

83 *Submission 32*, p.32 (NWRN).

84 *Submissions 32*, p.32 (NWRN).

85 *Submission 33*, p.30 (Catholic Welfare Australia).

86 *Submissions 6*, p.2 (Sole Parents Union); *7*, p.8 (NFAW); *14*, p.3 (WEL); *20*, p.5 (St Vincent de Paul); *22*, p.10 (AFDO).

87 *Submission 26*, p.7 (VCOSS).

3.84 The Salvation Army also expressed concern that the penalties in the proposed compliance regime may result in more demands being placed on charitable organisations. It stated that 'such an increase in welfare support through the charitable sector would not achieve the real aim of the Bill to move people from welfare-assisted living to independence'.⁸⁸

3.85 NFAW expressed concern at the proposed 10 per cent penalty for false declaration of income, pointing out that the new Social Security legislation requires fortnightly declaration of earnings for Newstart Allowance, but many businesses pay monthly. In addition, where people on casual shift work often don't know the actual details of their income when they lodge their fortnightly return, and estimate it. Reconciliation of these estimates with actual income is complex for all concerned, including Centrelink staff.⁸⁹

3.86 Witnesses did not view the suspension regime as a better alternative. The Sole Parents' Union stated that payments could be suspended for up to 13 days if Centrelink determines that there is no 'reasonable' excuse for non-compliance. However, there are currently no guidelines on what constitutes a 'reasonable' excuse.⁹⁰

3.87 The Physical Disability Council of Australia supported the modification of the suspension system for people with disability, particularly those whose condition affects their memory or their ability to initiate and follow through action.⁹¹ Hanover Welfare Services also pointed to the special circumstances of homeless people 'who are most likely to lose income support under the new compliance measures because they are difficult for Centrelink or a Job Network provider to contact or when in crisis, are unable to attend appointments'.⁹² The National Ethnic Disability Alliance commented that the compliance system disadvantaged people from NESB:

People with language barriers would experience further difficulty and frustration trying to negotiate a more complicated system. Many already experience difficulties when communicating with Centrelink. The new system will put these people at the risk of significant financial loss for not complying, even when non-compliance is due to a communication barrier.⁹³

3.88 In response to these concerns, DEWR indicated that there is little incentive in the current system to re-engage following the imposition of a rate reduction period. DEWR stated that it appears that 'job seekers are more often than not prepared to serve out the penalty rather than seek to have it reduced or removed through active

88 *Submission 51*, p. 4 (Salvation Army).

89 *Submission 7*, pp. 8-9 (NFAW).

90 *Submission 6*, p.3 (Sole Parents' Union); see also *Submission 7*, p.8 (NFAW).

91 *Submission 9*, p.12 (PDCA); see also *Submission 48*, p.5 (PWDA).

92 *Submission 16*, p.3 (Hanover Welfare Services).

93 *Submission 41*, p.5 (NEDA).

participation'.⁹⁴ DEWR also noted that the fixed rate reduction penalties in the current system can impede re-engagement because the substantial loss of income over time makes it difficult to meet the costs of job search and other forms of active participation.

3.89 Under the new framework, participation is more clearly linked to payment and those who are willing to re-engage quickly will be rewarded. A job seeker who does not have a record of repeated non-compliance and who commits a participation failure such as missing an interview with an employment service provider will be given the opportunity to avoid any financial penalty by quickly re-engaging with that provider or another activity as directed. However, a job seeker who persists in their non-compliance, despite being warned, will lose payment for each day until they do comply. DEWR noted that this 'effectively means that the job seeker determines the duration of the penalty, providing a significant incentive to re-engage quickly'. In addition, job seekers who have an acceptable reason for not complying will not incur any financial penalty, and will not have these instances of non-compliance counted towards an 8 week non-payment period.⁹⁵

3.90 The Department noted that the eight week non-payment is for serial and serious non-compliance; that by the time a job seeker faces an eight week penalty they will have demonstrated either a lack of responsiveness to such an approach or a willingness to exploit the warning mechanisms in the system:

Not attending the interview will basically require serial failures to occur. You would need to have three participation failures over a period of time for that to occur, along with all the warnings and checks and balances which I mentioned at the start of the hearing. The only groups which would go straight to an eight-week non-payment period are people who voluntarily leave their job without a good reason and people who refuse a reasonable job offer. They are the ones that are at risk. Again, the reasons for it would need to be taken into account, but they are the only ones who are at risk of having an eight-week non-payment period straight up.⁹⁶

3.91 DEWR stated that 'the Government believes that by this stage a strong deterrent is required. An eight week non-payment penalty is also a feature of the current breaching system'.

3.92 DEWR provided detailed evidence of the protections within the system for vulnerable people from the intervention by the Job Network member to action by Centrelink.⁹⁷ Ultimately, a large number of contacts and interventions will generally be made before Centrelink will impose any penalty, including that Centrelink must talk to the job seeker to see if they had a reasonable excuse for failing to meet their

94 *Submission 47*, p.28 (DEWR).

95 *Submission 47*, p.29 (DEWR).

96 *Committee Hansard 23.11.05*, p.25 (DEWR).

97 *Committee Hansard 23.11.05*, p.9 (DEWR).

requirements. DEWR indicated that while the meaning of the term 'reasonable excuse' is discretionary, 'the excuse must be one that would seem plausible to a member of the public'. In determining this, it is important to consider whether or not the reason for the failure to meet the requirement was foreseeable or within the person's control. A failure can only be recorded where the person's non-compliance was deliberate or avoidable.⁹⁸

3.93 In addition, when determining if a person has a reasonable excuse for failing to meet a requirement, the person's personal circumstances must also be considered. People who are vulnerable will be 'flagged in the system'. DEWR stated:

That aims to cover people, for example, with episodic mental health conditions who may not be responsible for not attending interviews and so on. Again, in those sorts of scenarios, there is a safeguard there for those people to ensure that they do not end up with an eight-week non-payment period, for example.⁹⁹

3.94 Before a person loses their payments for eight weeks a Centrelink specialist officer will talk to an individual and will attempt to identify whether there are particular vulnerable circumstances related to the individual. DEWR commented:

If there are not, and the third participation failure does occur, there is an eight-week non-payment period and that lasts for a full eight weeks. There is no way to get out of it at that stage. However, what has certainly been overlooked at these hearings so far is the fact that there is a case management system in place, particularly for parents who have dependent children but also for other vulnerable people.¹⁰⁰

3.95 The case management system enables a specialist officer to follow up the case of any job seeker who has children or another vulnerable dependent or who is themselves considered exceptionally vulnerable. If it is established that the person needs financial assistance, they will be offered case management and will be eligible for limited financial assistance.

3.96 The Committee notes another very significant safeguard: if a person is on a non-payment period, Centrelink will have authority to pay essential expenses for that family expenses relating to electricity, rent, basic food needs etc. Those basic expenses will be paid during that period and will be met up to the cost of their equivalent income support. This is not a loan and will not have to be repaid. A further safeguard ensures that principal carer parents will not lose any other concessions or their family tax benefits as a result of a financial penalty. People with partial work

98 *Submission 47*, p.30 (DEWR).

99 *Committee Hansard 23.11.05*, p.9 (DEWR).

100 *Committee Hansard 23.11.05*, p.9 (DEWR).

capacity will also retain access to concessions, including the Pensioner Concession Card.¹⁰¹

3.97 Greater fairness has also been brought into the compliance system. Under current arrangements all prior activity test breaches during the past two years are counted for the purpose of determining whether the penalty applies. Under the new system, only participation failures incurred during the last 12 months will count. There are also fairer penalties for wilful faulty declaration of earnings. The legislation also abolishes earnings-related breach penalties for Newstart, Youth Allowance and Austudy Payment recipients. Instead, it introduces a more equitable means of deterring all working age income support recipients from deliberately failing to declare or under-declare their earnings, in the form of a recovery fee set at 10 per cent of the debt incurred.¹⁰²

3.98 DEWR also reported that the same compliance framework will apply to all job seekers with activity test requirements. It is anticipated that principal carer parents, mature age job seekers and people with disabilities will not be adversely affected by the compliance framework for the following reasons:

- currently, breach rates among principal carer parents and mature age job seekers are very low, presumably because of the low level of requirements imposed upon them and because they are more willing to comply than younger job seekers. Requirements imposed on parents, mature age job seekers and people with disabilities will increase under Welfare to Work, but they will still be significantly less than those imposed on Newstart Allowance recipients generally;
- requirements will be tailored to individual circumstances and will reflect individual capacity and caring responsibilities. This is specified in the legislation. If a job seeker's requirements prove not to be manageable, they will not be penalised;
- current legislative safeguards requiring the job seeker's circumstances to be considered before any penalty is imposed will be retained and expanded, with additional emphasis on taking into account any circumstances of parents and people with disabilities that might have impeded their ability to comply; and
- if a job seeker refuses or voluntarily leaves work, factors such as availability of child care will be considered in determining whether that work was suitable work.¹⁰³

101 *Submission 47*, pp.21, 25, 31 (DEWR).

102 *Submission 47*, pp.29-30 (DEWR).

103 *Submission 47*, pp.30-31 (DEWR).

The use of Guidelines

3.99 ACOSS and other witnesses raised the issue of the use of administrative guidelines to provide the detail in relation to many aspects of the legislation. For instance, ACOSS made the following observation in regard to activity requirements:

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.¹⁰⁴

3.100 However, ACROD stated that the situations covered by the legislation are diverse and that to quantify or formulate some of the requirements in the legislation, for example on exemptions, would make it too inflexible. ACROD stated:

It is hard to anticipate. The population of people with disabilities is a very diverse population and the impact of disability is very diverse. Sometimes we talk about disability as if that were not the case, but it is the case. It is hard to anticipate all the situations that may occur where a person would have an unfair obligation imposed upon them. That is why it would be difficult to codify in legislation.¹⁰⁵

3.101 While primarily a tool to assist decision-makers in Centrelink, the Guide (as the guidelines are collectively called) is also used by the Social Security Appeals Tribunal, community organisations and the general public. The Guide explains in simple, practical terms, the meaning of social security legislation. Its purpose is to assist staff in applying the legislation by providing detailed explanations of the policy intent of the different sections of the legislation, and examples of common scenarios and how the legislation should be interpreted in each case.

3.102 The Committee raised this issue with DEWR during the public hearing on 21 November 2005. DEWR explained that much of the detail underpinning the legislation is contained in guidelines to assist in the interpretation of the legislation. The proposed legislative amendments provide a broad framework for the Welfare to Work measures, while the guidelines themselves provide the operational policy direction and detail underpinning each measure, particularly those involving new areas of discretion that the Secretary may exercise.¹⁰⁶

3.103 The Department told the Committee that generally, anything affecting the level of a person's eligibility for income support would be in the legislation. If it

104 *Submission 28*, p.26 (ACOSS).

105 *Committee Hansard 22.11.05*, p.45 (ACROD).

106 The Guide can be found at: <http://www.facs.gov.au/guide/toc/guiderev.htm>

affected work requirements and participation then it would normally be covered in guidelines.¹⁰⁷ DEWR also informed the Committee that there are already very flexible arrangements for the job search requirements for Newstart and assured the Committee that the guidelines would be consistent with the purpose and intent of the Social Security Act.

3.104 However, DEWR acknowledged that the balance between what is enshrined in legislation and the clarification of legislative intent provided by the guidelines would be altered as a consequence of this legislation:

Compared with the current Social Security Act...there would be more guidelines in the future.¹⁰⁸

3.105 The Committee notes the proposed extensive use of guidelines to implement key parts of the Welfare to Work package. This represents a shift in the balance currently maintained between the use of legislation or disallowable subordinate instruments and the use of guidelines to implement the social welfare system. Further, the extensive use of guidelines limits Parliamentary scrutiny: unlike disallowable instruments, guidelines are not laid before the Parliament.

Recommendation 2

3.106 The Committee recommends that the Department of Employment and Workplace Relations reassess which of the guidelines under the package are to be disallowable by the Parliament; that is, that it ensure key aspects of the guidelines be determined by disallowable instruments. This will ensure consistency in application as well as appropriate Parliamentary scrutiny. In particular, the Committee recommends that guidelines dealing with what constitutes unsuitable paid employment, special family circumstances, suitable and unsuitable activities for participation, and compliance issues are based on disallowable instruments.

3.107 DEWR indicated that work has commenced to revise the Guide to take into account the Welfare to Work changes; a complex task that will take several months to finalise. There are ten parts to the Guide and over 2000 subsections (or topics), many with links to subsections in other parts. The revision task will involve checking individual subsections for potential Welfare to Work effects and liaising with Department of Family and Community Services and Department of Education, Science and Training, as they have policy responsibility for some of the payments and arrangements affected by the changes. A list of key topics/issues where drafting is taking place is at Appendix 3.

3.108 The Committee notes the numerous concerns expressed by witnesses regarding the emphasis on the use of guidelines, as non-disallowable instruments, to

107 *Committee Hansard* 21.11.05, p.10 (DEWR).

108 *Committee Hansard* 21.11.05, p.21 (DEWR).

effect so much of the thrust of the Welfare to Work package. The Committee appreciates that such an approach preserves a large amount of flexibility in the implementation of this package, and that such flexibility will assist in adjusting the effect of the package's provisions so as to ensure outcomes are not excessively harsh or go beyond what was intended. Of course, such flexibility could also provide for inconsistent applications to be perpetrated in the interpretation or implementation of the guidelines.

3.109 In this respect, the Committee notes that the legislation before it is merely the skeleton to which much flesh must yet be attached. In many respects it is the flesh, not the skeleton, that will be the measure of this package's success or failure. As such, the Committee counsels that great care be exercised in both the development of the guidelines and the training of officers of Centrelink and others in the administration of this new regime. The potentially beneficial impact on the overdependence of many Australians on welfare will be diminished if the net of this package is cast so wide as to capture those who cannot or should not, in any reasonable calculation, be candidates to participate in the workforce.

3.110 Given this need to proceed down the path of reform with care, the Committee notes the recommendation of Catholic Welfare Australia that the data on the implementation of the Welfare to Work package be collected and presented to the Parliament on at least an annual basis. It was envisaged that the data collected should include information on income, employment and other matters affecting those income support recipients targeted by the Welfare to Work legislation.¹⁰⁹ The Committee considers that this recommendation has considerable merit. The changes proposed are extensive and have been enormously controversial with much debate about how successful the changes will be and what impact they will have on income support recipients, particularly families and vulnerable people. The Committee also considers that the provision of such information will add significantly to the accountability and transparency of the welfare system.

Recommendation 3

3.111 The Committee recommends that the Department of Employment and Workplace Relations table in the Parliament, on an annual basis, key data on the implementation of the Welfare to Work package.

Conclusion

3.112 The Committee generally supports the Welfare to Work package. The Committee accepts that the changes proposed in the Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measurers) Bill 2005 are aimed only at those people on income support who are able to work. The Committee can see nothing in this legislation which ineluctably will force or coerce any person who is not able to work off an income support benefit. Of course,

109 *Submission 33*, p.40 (CWA).

inconsistent implementation of the guidelines, once created, could lead to unintended adverse outcomes. That possibility however is no valid reason not to proceed with the legislation itself.

3.113 The Committee notes the provisions to safeguard those who are disabled: DSP is retained if a person is working but requires support to do so and a person on DSP who leaves payment to attempt work, but cannot continue because of any reason, can return to DSP within two years. There is also recognition that a person with mental illness may only have a partial capacity to work and the episodic nature of the illness.

3.114 There are also significant safeguards for principal carers and mechanisms to ensure that the system will be flexible and responsive to their needs. The use of the 'suitable' work standard, ensures that parents will only be required to undertake work they are capable of doing and which, importantly, recognises the needs to care for children. The use of exemptions on a case-by-case basis will allow parents to combine their caring responsibilities with their participation requirements. The Committee notes that there are currently three automatic exemptions proposed: for foster carers; those parents who home school and those facilitating distance education. The Committee considers a further group should be given automatic exemptions – large families. The Committee believes that caring for four children or more where some are under the age of 16 imposes significant demands and the automatic exemption should be extended to these parents.

Recommendation 4

3.115 The Committee recommends that an automatic exemption from participation requirements be extended to parents of large families.

3.116 The Committee notes that the Welfare to Work reforms are 'not about making parents and people with disabilities who may have the capacity to work part time worse off'.¹¹⁰ It also must be remembered that grandfathering provisions will generally apply to those currently receiving Parenting Payment (612,866 recipients) and DSP (708,410 recipients).¹¹¹

Recommendation 5

3.117 The Committee reports to the Senate that it has considered the Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005 and recommends that the Bill, subject to recommendation 4, be passed.

110 *Submission 47, Answers to Questions on Notice, 22.11.05, p.6 (DEWR).*

111 *Committee Hansard 23.11.05 pp.13-14 (DEWR).*

CHAPTER 4

FAMILY AND COMMUNITY SERVICES LEGISLATION AMENDMENT (WELFARE TO WORK) BILL 2005

Background

4.1 This Bill relates to the number of hours of assistance that can be claimed under the Child Care Benefit (CCB) provisions.

4.2 Currently, parents or other defined principal carers are able to claim CCB, which provides financial assistance to help in meeting the cost of child care. This assistance is delivered as reduced fees for child care services or a yearly lump sum payment. To be eligible for CCB, certain residency and immunisation requirements must be met and the children for whom the benefit is being sought must attend approved or registered care that charges a fee. CCB is means tested based on family income.

4.3 The number of hours of Child Care Benefit a family using approved child care may be eligible for depends, in part, on whether both parents or a sole parent of a family satisfy a work/training/study test. Currently CCB is available as follows:

- families who do not satisfy the work/training/study test can get up to 20 hours CCB per week for each child attending an approved child care service;¹
- up to 50 hours of CCB per child per week where families satisfy the work/training/study test or qualify for an exemption (such as parents of a child with a disability); and
- more than 50 hours of CCB per child per week.²

4.4 Parents using a paid registered carer for child care may also be eligible for up to 50 hours of minimum rate CCB.³ The a work/study/training test must be satisfied 'at some time' each week in order to receive this level of assistance.

1 This means that they have been approved by the Department of Family and Community Services. These include most long day care, family day care, before and after school care, vacation care, in-home and occasional care services. See Family Assistance Office, *Information booklet about your claim for Family Assistance*, p.16, Centrelink website, [http://www.centrelink.gov.au/internet/internet.nsf/filestores/ci011_0507/\\$file/ci011_0507en_p.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/ci011_0507/$file/ci011_0507en_p.pdf)

2 *Submission 25*, p.2 (FaCS).

The Bill

4.5 The Bill amends the *A New Tax System (Family Assistance) Act 1999* and the *A New Tax System (Family Assistance) (Administration) Act 1999*.

4.6 Schedule 1 of the Bill increases the base limit of the number of hours per week, from 20 to 24, for which CCB may be paid without claimants needing to meet stipulated work/training/study requirements.⁴

4.7 Introducing the Bill into the House of Representatives, Minister for Workforce Participation, Peter Dutton MP, stated that:

Increasing the threshold limit of hours for which a family can receive child-care benefit will assist parents in maintaining ongoing lower levels of work force participation and help their transition to a greater level of participation once their children are older. It also recognises that child-care requirements often exceed actual working hours.⁵

4.8 The Department of Family and Community Services (FaCS) indicated that the increase from 20 to 24 hours took into account the charging practices of some child care centres:

Some of them have a 12-hour charging day, so increasing to 24 hours allows for two days of child care to be fully covered for parents not meeting the work/training/study test. It allows for two full days for the child to attend child care so that the parent can undertake other activities and so the child's developmental needs can be met as well.

Officers explained:

They charge for the full session for the day, and the parent might only use four or five hours of that session. It allows for the full payment for that session for two days in any given week.⁶

4.9 Schedule 2 alters the work/study/training (or activity) test that claimants must satisfy in order to be paid CCB for up to 50 hours for approved care. Currently, those claiming CCB for up to 50 hours need only demonstrate that they have satisfied the

3 These carers must be registered with Family Assistance Office. Registered care may be provided by nannies, grandparents, relatives or friends, private pre-schools, kindergartens and some occasional care centres or outside school hours care services. See Family Assistance Office, *Information booklet about your claim for Family Assistance*, p.16, Centrelink website, [http://www.centrelink.gov.au/internet/internet.nsf/filestores/ci011_0507/\\$file/ci011_0507en_p.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/ci011_0507/$file/ci011_0507en_p.pdf) At 18 November 2005 the maximum CCB for registered care is 48.3 cents/hour, compared with a maximum of \$2.88/hour for approved care. See http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/payments-ccb-how_much

4 Explanatory Memorandum, p.2.

5 Mr Peter Dutton MP, Second Reading Speech, *House of Representatives Hansard*, 9.11.05, p.6.

6 *Committee Hansard* 23.11.05, p. 2 (FaCS).

activity test 'at some time in the week'. The Bill proposes to amend the Act to stipulate that claimants must satisfy the activity test for at least 15 hours each week, or for an average of 15 hours for two consecutive weeks.⁷

4.10 The Minister for Workforce Participation told the House that:

This measure ensures that the greatest level of support is directed to those families with higher levels of work related participation.⁸

4.11 The amendments also allow the Minister, by legislative instrument, to:

- (a) determine the circumstances under which individuals will not be required to meet the activity test; and
- (b) determine any other activities that may be counted towards the activity test.⁹

Issues

4.12 Catholic Welfare Australia (CWA) commented that the proposed changes 'do little to address the problems of single parents, many of whom will re-enter the workforce with casual and part-time jobs and study options'. CWA went on to state that the changes will benefit those who are working or studying in a permanent and full-time capacity but single parents who are in casual jobs and have to take unpaid time off (for example, when their child is sick or during school holidays) will not be able to meet the new activity test. CWA concluded 'not only will they miss out on their income if they are forced to take unpaid leave but also their Child Care Benefit would be jeopardised'.

4.13 CWA also stated that while the Minister is allowed, by legislative instrument, to determine activities that count towards meeting the activity requirements, CWA would 'rather see the safeguards to protect some of those already most disadvantaged in society protected by law'.¹⁰

4.14 FaCS commented that 'the increased participation requirements as part of the proposed amendments will be administered in a way that meets the need so parents who work a non-standard week or in a rotating pattern'.¹¹

7 Explanatory Memorandum, p. 6. The EM notes that any given week exceeding the 15 hours test may not be used to attain an average 15 hours with both the week before and the week after.

8 Second Reading Speech.

9 Explanatory Memorandum, pp.6, 8.

10 *Submission 33*, p.30 (CWA).

11 *Submission 25*, p.2 (FaCS).

Conclusion

4.15 The Committee notes that individuals who are working/studying/training for less than 15 hours per week will be unlikely to require more than 24 hours per week of subsidised approved child care. The proposed amendments will continue to allow parents under the 15 hour threshold to claim Child Care Benefit for periods paid of child care well in excess of the time that they are engaging in work/study/training activities.

Recommendation 6

4.16 The Committee reports to the Senate that it has considered the Family and Community Services Legislation Amendment (Welfare to Work) Bill 2005 and recommends that the Bill be passed without amendment.

Senator Gary Humphries
Chairman

November 2005

DISSENTING REPORT

Australian Labor Party, Australian Democrats and Australian Greens

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

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

1.1 Australian Labor Party, Australian Democrat and Australian Greens Senators agree with the stated aims of these bills which are to assist people who are able to work to move from welfare into work . Work is a fundamental building block of social and economic inclusion. The community and the individual all benefit when more people are able to participate in the social and economic mainstream. However, these bills will not achieve this. Not only is it an incompetent legislative package that fails in its stated aims, but it introduces perverse incentives that will actively discourage people from moving away from welfare payments and into paid employment.

1.2 Furthermore, we believe the extremely short period of time the Committee has been given to hold an inquiry into these bills is unacceptable. The time-frame was in fact so short that the usual Senate processes for advertising for submissions could not be undertaken, and consequently the Committee had to rely on invitation and internet advertising. Within two weeks, the Committee has been required to dissect and consider the detail of a long and complex piece of legislation, process and read over 60 submissions, arrange and hear four days of evidence from government departments and concerned organisations, and produce a report to be tabled in the Senate. The Committee's report will be tabled in the Senate only five days after evidence was taken in the last of the public hearings into these changes, which provides very little opportunity for the evidence to be fully considered.

1.3 Of equal concern to Australian Labor Party, Australian Democrat and Australian Greens Senators is the limited opportunity organisations participating in this inquiry have had to consider the government's package. The National Welfare Rights Network told the Committee:

It has been very difficult to pull this together and to be frank I do not know how it is going to be possible for the Senate to know exactly what it is doing when it is carrying this legislation. Even though we have given it our best bash we are sure we have not been able to fully comprehend what impact parts of this legislation will have and how they all fit together.¹

1 *Proof Committee Hansard*, 21 November 2005, p.47. [Raper]

1.4 In the few days they were given, concerned organisations and individuals have had to very quickly grasp the implications of a highly complex set of changes and are to be congratulated for contributing so effectively to this inquiry at such short notice.

1.5 There emerged a very clear convergence in the analysis offered to the committee by the range of employment support providers, crisis care services and advocates for the disadvantaged. All agreed that finding those on welfare meaningful work would help them improve their lives, but did not believe that the provisions of this legislation would actually help them to do so. There was a strong consensus that it would have serious impacts for the disadvantaged that would further entrench existing inequalities and would lead to a significant longer-term increase in the numbers living in poverty. Crisis care organizations expressed serious concerns about their capacity to cope with this increase level of demand.

1.6 Given the limited time for this inquiry, we have concentrated our attention on those aspects of the changes comprised in the bills which were the predominant focus of the evidence presented to the Committee. There are a range of matters, such as the changes in respect of mature age and very long-term unemployed, that we have been unable to properly address in the short time-frame.

1.7 These bills represent the most drastic changes to the provision of social security in Australia since the introduction of the Social Security Act in 1947, affecting hundreds of thousands of the most vulnerable Australians. By so severely limiting the time frame of this inquiry, the Government has diminished the capacity of Senators, and the community in general, to appropriately consider the details of these changes. Given the importance of these proposed Welfare to Work measures, this should not have been the case.

Fewer incentives to move from welfare to work

From one welfare payment to another, lower welfare payment

1.8 The core of the proposals comprising the bills is a reduction in the income support payments of some of our most vulnerable Australians. From July 2006, these bills effect a reduction in income to many sole parents and people with a disability. People with a disability will face a harsher and more restrictive test when claiming the Disability Support Pension (“the DSP”). Those who are assessed as able to work for 15 hours or more per week, currently or within a two year period will only be entitled to the Newstart allowance. Future applicants for the parenting payment single benefit (“the PPS”) will be moved onto the lower newstart payment when their child turns 8 (for sole parents, 6 for partnered parents).

1.9 Not only does Newstart Allowance provide lower rates, it, has a lower “free” area, is subject to higher withdrawal rates and harsher tax treatment than both the DSP and PPS. The effect of these characteristics will be to place people with a disability and sole parents in a substantially worse financial position than under current

arrangements. In addition, they will face far higher effective marginal tax rates which operate as a disincentive to work.

Lower welfare payments for sole parents²

1.10 When the Government announced the proposal, its intention was that sole parents would move to Newstart Allowance when their youngest child was six years of age the National Centre for Social and Economic Modelling at the University of Canberra (NATSEM) conducted an analysis of the proposal on this basis. Since then, the Government has altered the policy so that sole parents are moved to Newstart when their youngest child is aged eight years. However, the age difference of the child does not affect NATSEM's analysis. The financial consequences are simply deferred for the sole parent by two years.

1.11 NATSEM analysed the proposed payment rate and income test for new sole parents whose youngest child is aged six years and over is summarised in the following table:³

Table 1 Summary of the Newstart Allowance and Parenting Payment Single Payments for Sole Parents with One Child, 2006-07^a

	Parenting Payment Single	Newstart Allowance	Difference
	\$ pw	\$ pw	\$pw
Payment rate for those with one child	\$257	\$228 ^b	-\$29
Amount of income that can be earned before payment is reduced	\$76	\$31	-\$45
Withdrawal rate for each \$ of private income above this threshold	40%	50%	+ 10%
Second income test threshold	na	\$125	
Withdrawal rate for each \$ of private income above this threshold	40%	60%	+20%
Income support cuts out when private income reaches this point (cut-out point)	\$718 ^c	\$426 ^c	\$292

^a These are the estimated averaged payment rates and thresholds that will apply in 2006-07. The actual payment rates vary at various points throughout the financial year, in line with indexation arrangements. All figures rounded to nearest whole dollar.

^b This includes \$2.90 a week of Pharmaceutical Allowance, which the government has said will also now be paid to Newstart Allowees who are sole parents.

^c This includes the effect of the \$2.90 a week of Pharmaceutical Allowance.

Source: Specially created version of STINMOD/05A

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- 2 The analysis is taken from NATSEM, National Centre for Social and Economic Modelling University of Canberra, *The Distributional Impact of the Proposed Welfare-to-Work Reforms Upon Sole Parents*, Ann Harding, Quoc Ngu Vu, Richard Percival and Gillian Beer, 25 August 2005.
- 3 *The Distributional Impact of the Proposed Welfare-to-Work Reforms Upon Sole Parents*, p.3.

1.12 Sole parents with one child and no private income are expected to receive about \$257 a week on average in Parenting Payment Single in 2006-07. On Newstart they will receive \$29 less. A crucial factor is the scope for combining earnings with part rate income support. In 2006-07, a sole parent with one child on Parenting Payment Single will be able to earn \$76 a week without any reduction in income support. For those with more than one child the difference will be even greater, as the 'free area' for Parenting Payment Single is increased by a further \$12.30 per child per week for each child after the first, whereas the 'free area' under Newstart Allowance does not vary with the number of children. For every dollar of income they earn above this threshold, their welfare payment is reduced by 40 cents. Under Newstart, the threshold is \$31 a week and the withdrawal rate will be 50 and 60 cents per dollar of private income above the threshold. The tax offset applying to Parenting Payment Single is more generous than that applying to Newstart.

1.13 The combined effects of these differences means that a sole parent working 15 hours a week at an assumed minimum wage of \$13 per hour, earning \$195 a week will be \$91 a week worse off once the parent moves to Newstart, than under current arrangements. Under the government's proposals, this reduction in take-home income will occur overnight, upon the youngest child's 8th birthday, when the parent moves from Parenting Payment to Newstart.⁴

1.14 Parenting Payment provides some financial support for sole parents earning up to \$718 a week while Newstart cuts out at \$426 a week. At those levels of earnings a sole parent will also lose the pensioner concession card and pharmaceutical allowance.

Lower welfare payments for disabled people⁵

1.15 The proposed payment rate and income test for Australians with disabilities that are assessed as being able to work 15 to 29 hours a week are summarised in the following table:⁶

⁴ *The Distributional Impact of the Proposed Welfare-to-Work Reforms Upon Sole Parents*, p.17

⁵ The analysis is taken from NATSEM, National Centre for Social and Economic Modelling University of Canberra, *The Distributional Impact of the Welfare-to-Work Reforms Upon Australians with Disabilities*, Ann Harding, Quoc Ngu Vu, and Richard Percival, 13 September 2005.

⁶ *The Distributional Impact of the Welfare-to-Work Reforms Upon Australians with Disabilities*, p.3.

Table 1 **Summary of the Newstart Allowance and Disability Support Pension Payments for Single Person Aged 21 to 60, 2006-07^a**

	DSP	NSA	Difference
	\$ pw	\$ pw	\$pw
Payment rate	\$257 ^b	\$211 ^b	-\$46
Amount of income that can be earned before payment is reduced	\$64	\$31	-\$33
Withdrawal rate for each \$ of private income above this threshold	40%	50%	+ 10%
Second income test threshold	Na	\$125	
Withdrawal rate for each \$ of private income above this threshold	40%	60%	+20%
Income support cuts out when private income reaches this point (cut-out point)	\$706 ^c	\$398 ^c	-\$308

^a These are the estimated averaged payment rates and thresholds that will apply in 2006-07. The actual payment rates vary at various points throughout the financial year, in line with indexation arrangements. All figures rounded to nearest whole dollar. Both NSA/YA with disabilities and DSP recipients will receive the Pensioner Concession Card, Pharmaceutical Allowance (PA) and Telephone Allowance. NSA/YA recipients with disabilities who are unable to use public transport to undertake job search and take up employment will be able to receive Mobility Allowance of \$50 a week. DSP recipients who cannot use public transport and are undertaking sufficient paid or voluntary work or vocational training or job search activities also receive \$50 a week in Mobility Allowance. Mobility Allowance is not income or asset tested.

^b This includes \$2.90 a week of PA.

^c This includes the effect of the \$2.90 a week of PA.

Source: Specially created version of STINMOD/05A

1.16 People with disabilities are even more drastically affected by the changes than sole parents. Single DSP recipients aged over 20 are expected to receive about \$257 a week on average in DSP in 2006-07. The Newstart rate for a single person without children is \$46 a week less. A crucial factor is the amount of private income that they can receive before their income support payment is reduced. ('Private income' means income from sources other than government cash transfers, such as earnings.) In 2006-07, a single DSP recipient will be able to earn \$64 a week without any reduction in the income support they receive, compared with \$31 on Newstart. For every dollar of income they earn above this threshold, their payment from government is reduced by 40 cents, whereas on Newstart it is reduced by 50 or 60 cents.

1.17 The Newstart Allowance income test is thus much more restrictive than the DSP income test, and this is reflected in the very different 'cut out points' shown in the table. Single DSP recipients will be able to earn up to around \$706 per week before their entitlement to part-rate income support is extinguished. People with disabilities on Newstart Allowance will only be able to earn up to about \$398 a week before their entitlement to income support is extinguished.

1.18 This means that income support will cease at a much lower level of earnings for those subject to the new Newstart Allowance test than for those on the existing DSP.

1.19 People with disabilities receiving Newstart Allowance will clearly receive lower payments and face a harsher income test than those on DSP: however there are also other, less obvious, factors that will adversely affect them relative to DSP recipients. One is that DSP is not subject to income tax. In contrast, both Newstart Allowance and Youth Allowance are taxable payments. This means that those with earned or other private incomes in addition to their income support are adversely affected by being placed on Newstart rather than DSP.

1.20 A second issue is the receipt of the Pensioner Concession Card. DSP recipients are automatically entitled to a Pensioner Concession Card, which many organisations use as a 'passport' to a range of concessional prices for such services as property charges and taxes, energy, water, transport, education, health, car registration, housing and recreation services and so on. While such services are often provided by State and local governments, many private sector businesses also use the possession of a Pensioner Concession Card as the trigger for lower prices for such diverse services as movie tickets and shoe repairs. Similarly, doctors may often bulk bill those with Pensioner Concession Cards, so that they do not have to pay any additional co-payment.

1.21 The Government has stated that those people with disabilities who are placed on Newstart Allowance under the proposed new arrangements will retain the right to a Pensioner Concession Card. However, as the table makes clear, eligibility for Newstart Allowance for people with disabilities will cease at a much lower level of private income than eligibility for DSP - \$706 versus \$398. As a result, there will be many Australians with disabilities, on a range of private income over \$300 per week who would formerly have qualified for the Pensioner Concession Card, but will apparently not qualify under the new rules.

1.22 It appears that those people with disabilities with private incomes above \$398 a week will not receive a Health Care Card - and thus will lose their right to concessional pharmaceuticals.

1.23 Those people receiving Mobility Allowance will still receive a Health Care Card, but some concessions are provided by State and local governments and other organisations only to those with Pensioner Concession Cards and not to those with Health Care Cards. In Victoria, for example, Pensioner Concession Card holders (but not Health Care Card holders) qualify for an additional municipal rates concession of up to \$160 a year and an additional transport accident charge concession of up to about \$170 a year. Thus, the loss of these three items alone could reduce the effective income of some people with disabilities by some \$6 a week.

1.24 It also appears that the proposed changes will be particularly harsh for those people with disabilities who are engaged in education as part of their preparation for future workforce participation. They will be ineligible for Newstart while undertaking full-time study and will thus be placed on Austudy. While people with disabilities on DSP receive the Pensioner Education Supplement, currently worth \$31.20 a week for a full-time student, it appears that this will not be payable to people with disabilities

placed on Austudy. Austudy is paid at lower rates than Newstart, a recipient is not eligible for rent assistance, and people with disabilities receiving Austudy will not receive the Pensioner Concession card or pharmaceutical allowance which would be extended to them on Newstart. Thus, it appears that a person with disabilities in full-time study and no private income who is placed on Austudy under the proposed new rules will face a very substantial cut in income (relative to the payment they would have received under the current system).

1.25 A final issue is that Newstart is much more strictly asset-tested than DSP. In 2006-07, a single homeowner with assets of more than \$157,000 loses their entitlement to any Newstart Allowance. In contrast, a pensioner with assets above this level loses \$3 per fortnight of DSP for every \$1000 by which assets exceed this level. A 50 year old person with disabilities who owns their own flat and who has inherited a \$200,000 house from their parents will thus not be entitled to Newstart Allowance, but would be entitled to DSP and the Pensioner Concession Card under the current system.

No evidence that lower payments increase participation

1.26 Despite receiving over 60 submissions and hearing from approximately 60 witnesses over four days of hearings, the Committee was given no cogent evidence that a reduction in income support payments will lead to greater rates of participation in the workforce. The Department of Employment and Workplace Relations was asked to provide evidence that this reduction in payment would lead to higher levels of participation. In response the Department has indicated this was a Government policy decision and subsequently provided evidence to the Committee that described the effects of policy changes that differed substantially from the Government's proposals.⁷ Therefore they were of no relevance to the Government's policy decisions or the Committee's considerations.

1.27 Australian Labor Party, Australian Democrat and Australian Greens Senators find it extraordinary that the government has taken a decision to reduce the income levels of so many Australians without providing any empirical data, nor clear rationale, that such a reduction will enhance participation. This demonstrates that the central policy change contained in this legislation – moving people with disabilities and parents onto Newstart, has no credible justification. In effect, the government is asking the Senate to support these income reductions without any evidence that they will have a positive policy effect. The repetition of broad statements of intent to move people from welfare into work, as is contained in the Explanatory Memorandum, does not mask the lack of coherent policy rationale for these cuts. We do not believe such rhetorical reiteration comprises adequate justification for effecting the harshness of the income reductions for so many Australians that is contained in this legislation.

7 Department of Employment and Workplace Relations, Tabled Document, 23 November 2005.

1.28 Furthermore, the creation of new categories of recipients, different levels of payments and different activity requirements as contemplated by these changes will have the effect of creating a far more complex and inconsistent social security system.

1.29 The evidence presented to the Committee was overwhelmingly to the effect that the changes will increase hardship:

[R]educed payments to sole parents and people with disabilities are unnecessary and counter-productive and will result in increased hardship for groups already facing significant disadvantage. The Bill introduces new activity test requirements for people in these groups but fails to tailor these to individual circumstances and imposes harsh penalties on those who do not meet them.⁸

1.30 The Department of Employment and Workplace Relations confirmed that the changes implemented by the legislation, by 2008, will create 171,000 people who will be on lower payments than under current arrangements.⁹

Other disincentives

1.31 This package makes it harder for people to get assistance and the payments that they do get will in many cases be lower than the current regime. We note the evidence from the St Vincent de Paul Society that these bills, in combination with the industrial relations legislation, will see an increase in poverty levels in Australia and significant growth in the number of working poor.¹⁰

1.32 We note that the government's policy decision to alter the budget announcement so that sole parents are moved to Newstart when their youngest child is aged 8 years rather than 6 years as originally announced, simply confirms the lack of policy logic in this package. Further, the package introduces greater inequity into the welfare system where two people in identical situations are treated differently. The following example illustrates:¹¹

8 Brotherhood of St Laurence and Anglicare Australia, *Submission 35*, p.4.

9 *Proof Committee Hansard*, 21 November 2005, Canberra, p.3, [Sandison]

10 *Proof Committee Hansard*, 22 November 2005, p.31. [Dalton]

11 National Welfare Rights Network, Tabled document, 21 November 2005, p.2.

Cancellation due to earning additional income

Sally and Claire are in identical situations. They share a house and both have a seven year old daughter. They receive Parenting Payment (single) and work 15 hours a week in a minimum wage job at the local childcare centre, earning \$200 a week in private income, with a total income of \$390 a week from both PPS and work.

In July 2006, Claire picks up additional hours at the childcare centre and as a result of the additional income her Parenting Payment (single) is cancelled. In November 2006, the childcare centre downsizes and Claire's hours are reduced back to 15 hours a week.

Under the proposed legislation, Parenting Payment will be abolished for new applicants whose children are over eight from 1 July 2006, and the lower Newstart Allowance payment rate and harsher income test will apply. As a result, Claire will receive only \$322 a week - \$68 a week less than Sally.

Two sole parents in identical situations will receive different amounts of financial support to look after identical families. One will receive around 16% less income than before the changes because she accepted additional work which only lasted five months (ie. more than the 12 week gap allowed before payment is cancelled).

Sole parent families

1.33 Evidence shows that sole parent families have the lowest level of household wealth and experience higher levels of poverty compared with other families.¹² While the proportion of sole parents in paid work has increased over the last twenty years and they have the highest rates of paid employment amongst all welfare recipient groups, they experience significant barriers to undertaking work, despite their desire to do so. These barriers include the following:

- mental health difficulties due to the demands of being the only carer, having a low income, and coping with relationship breakdown. Forty-five per cent of sole parents receiving Parenting Payment (Single) have a mental health problem such as clinical anxiety or depressive disorders—higher than for all people on other benefit types;
- lack of affordable, flexible and high quality child care, including occasional care and after school care. Sole parents are more reliant on non-parental child care and have higher average child care costs than two-parent families, so they are particularly vulnerable to the declining levels of availability and affordability; and
- low levels of car ownership, and inadequate public transport with timetables and routes which do not allow parents to drop off children at school and then go on to work.

12 Brotherhood of St Laurence and Anglicare Australia, *Submission 35*, pp.4-5.

1.34 Employment during school hours is sometimes not available; and some jobs require people to work nights or weekends when centre-based child care is not available. Unskilled jobs are often casual, requiring staff to be on call—but child care is not available at short notice.

Tax disincentives

1.35 Sole parents face high effective marginal tax rates (EMTRs): for every dollar they earn from working, they may lose more than 60 cents from benefits and family payments. Currently around half of sole parents with earnings face high EMTRs, whereas 90 per cent of Newstart recipients with earnings face high EMTRs. When sole parents are transferred to Newstart and find casual or part-time work of at least 15 hours, a greater proportion will face high EMTRs.

1.36 Different EMTRs apply across different ranges of additional earnings. However, to take one example, a sole parent's additional earnings on Newstart between \$31 and \$76 will be affected by an EMTR of 65 per cent rather than the zero per cent under the current system. This means they will only gain 35 cents of each additional dollar that they earn in this range. By adding in the cost of child care they keep even less from their earnings.

Transitional arrangements

1.37 We are concerned about the transitional arrangements or the savings or grandfathering provisions for the parenting payment. Given the significant difference between payment levels for people who get to stay on Parenting Payment Single and those who end up on Newstart Allowance as primary carers, the legislation does not provide adequate safeguards to ensure that people currently on parenting payment will retain the payment until the youngest child turns 16. The promised savings provisions would appear to be far more restrictive than indicated on budget night and since, and will only apply to those parenting payment recipients who are covered by the transitional arrangements.

1.38 Under these arrangements, virtually any change in relationship status will cancel out any right to return to the original parenting payment:

I would have thought that we wanted to encourage reconciliation of former partners—fathers with their children—and to encourage people to go out and earn. That is supposed to be the thrust of the legislation. But, if you do so, you are off parenting payment single if you are off for more than 12 weeks...12 weeks is not in the legislation in either of those two examples. We think that these narrow provisions may well turn out to be, in fact, extremely counterproductive and create disincentives in people's attempts to repartner, reconcile or look for work.¹³

13 *Proof Committee Hansard*, 21 November 2005, p.39.

Parenting Payment Activity Agreement

1.39 There are serious deficiencies in the legislation as concerns the parenting payment participation requirements. A Parenting Payment Activity Agreement will set out the activities the Secretary of the Department considers a person should undertake in order to remain qualified to receive payments. We have a number of concerns about the provisions surrounding these Agreements, including:

- the removal of the requirement that the Secretary gives written notice of a requirement to enter into a Parenting Payment Activity Agreement (501(5));
- the requirement that a person must comply with the terms of their Parenting Payment Activity Agreement (500A(b)). The current legislation states a person must take 'reasonable steps to comply' (see s501(2));
- the removal of a list of 'approved activities' for Activity Agreements, that currently exists in the legislation. The list provides a legislative safeguard, outlining a range of activities that are appropriate to include in Activity Agreements;
- the provision that states that if an Activity Agreement requires a person to look for part-time work, they must look for work of at least 15 hours per week or hours determined as appropriate by the Secretary (501B). The Explanatory Memorandum explicitly states that a person will not be required to look for work or accept work where the work would involve more than 25 hours per week. Unfortunately there is no legislative protection of the 25 hours as this figure has not been included in the legislation; and
- the provision that requires a person to undertake particular paid work, unless the Secretary is of the opinion that the paid work is unsuitable (502(1)). Section 502(4) prescribes in what circumstances work will be unsuitable. For example, work will be unsuitable for a person if the person does not have access to appropriate care for their children (s502(4)(c)). We are concerned that s502(5) dictates that if the Secretary decides the person has access to appropriate child care, then no regard need be given to whether the parent considers the care to be appropriate for their child. Further, whilst the Explanatory Memorandum states that the Secretary will bear in mind the cost of child care and accessibility when making a determination as to the appropriateness of the child care, this protection is not provided in the legislation.

1.40 The availability of child care is another factor that needs to be considered as part of the Parenting Payment Activity Agreement. In the legislation, appropriate care and supervision of children is deemed to be met by any of the following:

- (a) care provided by an approved child care service and the Secretary considers that the care would be appropriate;
- (b) care that the principal carer considers suitable and could be provided to the child (i.e. informal care by family/friends/neighbours); and

(c) child attending school and that, in the Secretary's opinion, is appropriate.

1.41 We are concerned with these provisions for the following reasons:

- a delegate of the Secretary has no qualifications to determine whether child care is appropriate;
- children may be forced to move between child care providers and thus be denied continuity of care;
- children may be forced to move schools;
- principal carers can be forced to undertake activities when only informal care may be available – this is too great a burden to place on the carer and support network. Furthermore, it cannot be assumed that an informal carer can always be available when required. This will place inordinate stress on children, principal carers and their support networks.
- any requirement to undertake activities during school hours must include time allowed to travel to and from school, as well as the venue where the activity is to take place; and
- deeming school as suitable child care does not take into account pupil free days, school holidays, public holidays.
- parents may have difficulty in accessing appropriate vacation care, particularly in rural and regional areas

1.42 While the legislation provides for exemptions from participation requirements for people in limited circumstances and for restricted periods of time, there are problems with some of these.

The various exemptions to activity requirements that are meant to be embedded in the legislation are not in many cases, and the ones there are inconsistent as they are presented in the legislation. Who gets exemption and who gets the top-ups if you are exempt? Despite the acknowledgment that you cannot work or look for work because of your circumstances and therefore will not be able to get work and the money that goes with it, only some people get a top-up. Others do not get that top-up. These are inconsistent and incoherent provisions that seem to have been hastily drawn up and inserted at the last minute in response to what we consider to be valid political concerns.¹⁴

14 *Proof Committee Hansard*, 21 November 2005, p.40. [Raper]

Families are treated inconsistently

1.43 Labor, Democrat and Greens senators are concerned by the inconsistency as to activity requirements and income support levels for parents contained in this legislation, and alluded to in the above evidence. The government has determined to provide automatic exemption from the move onto Newstart for certain specified categories of parents being home educators, those engaged in distance education and foster carers. Parents within these categories are not only automatically exempt from participation requirements, they are also eligible for a top-up payment to restore their immediate income level to the PPS level.

1.44 While we agree there is a strong policy argument for such exemption and top-up in relation to parents in these categories, we consider equally strong arguments exist in relation to parents in other circumstances. Why, for example, will a victim of domestic violence have to seek an exemption on a temporary basis, whereas a home educator will attain an automatic exemption?

1.45 Furthermore, parents who achieve a temporary exemption from activity requirements due to circumstances such as domestic violence or homelessness will not be eligible for a top-up payment. If the rationale for the top-up payments for the automatically exempted categories is that their circumstances prevent them from working, surely this applies equally for a parent who is unable to work because of an experience of domestic violence? We regard the Government's approach to exemption and top-up payments as lacking policy rationale and consistency.

1.46 We further note that the top-up payment will not protect the exempted categories of parents from a worsening of their financial position. Due to the difference in indexation applied to Newstart allowance, over time it is inevitable that their payment levels will decline relative to what they would have been had they been retained on the parenting payment. In addition, the substantially higher effective marginal tax rates faced by Newstart recipients create substantial financial disincentives should these parents engage in any part-time work. We see little policy logic in this position.

1.47 We also note these bills alter the point at which a PPS recipient will move onto Newstart from that announced in the May Budget. The relevant age of the youngest child has moved from 6 to 8. We make the point that the same concerns regarding the financial position of these vulnerable families which underlies this change remains true for families whose youngest child has turned 8.

People with disabilities

1.48 The proposed changes to the Disability Support Pension (DSP) are likely to reduce income for people with disabilities. The change in eligibility means that 60 per cent of new applicants for DSP will be rejected, compared with 40 per cent at present.

About 26,000 people per year will go onto another benefit (mainly Newstart Allowance). Single people will be at least \$40 per week worse off.¹⁵

1.49 Those on Newstart will also face harsher taper rates of 50 per cent or 60 per cent rather than 40 per cent under the DSP. This means that a person working 15 hours per week on Newstart, for example, will be \$93 per week worse off than if they were on the DSP and working the same hours.

1.50 Furthermore, by redefining 'educational or vocational training or on-the-job training' in paragraph 94(3)(a) of the *Social Security Act 1991*, the bill will make it very difficult for a person to qualify for Disability Support Pension. This is because the bill inserts a much wider definition into the Act so that where a training activity would enable a person to find work some time in the next two years, then that person is ineligible for DSP. As noted by Mr Michael Raper of the National Welfare Rights Network:

The majority of people with disabilities, even those with a severe disability, would be able to undertake a training activity, given its broad definition in section 94(5) of the bill. They would be able to undertake a training activity if it were available and locally accessible. In many cases this could lead to work of at least 15 hours.

The problem is, however, that without that training activity, they have little or no capacity to work, and that training activity is unavailable to many people, particularly in rural and remote communities. If the training is not available, they will not be able ultimately to qualify for the disability support pension.¹⁶

1.51 The insertion of new section 94A into the Act introduces an alternative means of qualifying for Disability Support Pension. However, it does not address the issues for people with disabilities who do not have access to a 'training activity' in their locally accessible area.¹⁷ It introduces a "Catch-22" situation as illustrated by the following situation:

Basically, for eligibility for Disability Support Pension, they will have to assess whether, if you got some disability specific training, it could maybe get you a job in the next few years—if you have, for example, cerebral palsy and they gave you training that could help you work that specifically addressed that disability. If it could, then you are not going to get Disability Support Pension at the moment. That is how the legislation reads: 'We will put you on Newstart at the moment, and the theory is that you will do the training for two years that we have identified would be great for you and if,

15 Brotherhood of St Laurence and Anglicare Australia, *Submission 35*, p.7.

16 *Proof Committee Hansard*, 21 November 2005, p.38.

17 National Welfare Rights Network, *Submission 32*, p.5.

at the end, you still can't work 15 hours a week or more you go onto Disability Support Pension.'¹⁸

1.52 By transferring people to the Newstart Allowance if they are assessed as being capable of working for at least 15 hours per week, the legislation, contrary to its aims, puts people in a position where they would be encouraged to understate their capacity to work. Many people have significant costs associated with disability and are likely to be in a far more precarious financial position than those without disability. This creates a strong perverse incentive for them to qualify for DSP rather than the lower payment of Newstart.

The minister reports that 82 per cent of jobless disability support pensioners would prefer to work, and I do not doubt that that is true. But if you are faced with the financial consequences of being assessed as able to work 15 hours or more and lose the pension, you face what is called a perverse incentive, which is not to risk overstating your capacity to work because of the desperate need to qualify for the pension, which at least provides some security.¹⁹

1.53 Ms Julia Perry submitted that the proposals to move DSP recipients onto Newstart instead of applying the activity test to them will recreate a 'welfare trap' and strong disincentives to work that were features of the Invalid Pension (the pre-cursor of the DSP).²⁰ The replacement of the Invalid Pension with the DSP was intended to overcome these problems where pensioners had a strong reason not to risk testing their capacity to work in case they lose entitlement.

This is not just notional; this is exactly what happened under the old invalid pension. I was in the disability policy area just subsequent to 1991. [Invalid pension] required less than 15 per cent capacity and anyone who tried to test their capacity to work risked losing the pension. They were stuck in what is called a welfare trap. The disability support pension was brought in specifically to overcome that welfare trap and to give people some chance of testing their capacity. If you applied the activity test to people on disability, they would have nothing to lose and a lot to gain by testing their ability to work. But the plan to go back to this invalid pension style restriction is going to backfire if the government wants to see more people come into employment. That, to me, would be disastrous in terms of helping people to get on the road to full independence.²¹

1.54 There are also problems in assessing disability. Ms Perry told the Committee that this area is the most imprecise of all decisions in the income support system and the largest source of appeals to the Social Security Appeals Tribunal.²² It involves not

18 *Proof Committee Hansard*, 21 November 2005, p.44. [Finlay]

19 *Proof Committee Hansard*, 22 November 2005, p.52. [Perry]

20 Ms Julia Perry, *Submission 39*, p.2.

21 *Proof Committee Hansard*, 22 November 2005, p.52. [Perry]

22 *Proof Committee Hansard*, 22 November 2005, p.51.

only assessing current impairment but predicting the future of a person's condition over the next two years, estimating the potential effects of education, training and rehabilitation and rating that against a person's ability to undertake any sort of work that exists in Australia now and for the next two years.

1.55 The Comprehensive Work Capacity Assessment (CWCA) estimates people's capacity to work certain spans of hours per week (ie 0 to 7 hours, 8 to 14 hours, 15 to 29 hours and 30-plus hours), now and into the future. The level of uncertainty in making those decisions is not compatible with making accurate specifications in all of the fine bandwidths that are required. Ms Perry contends that the assessments will not reflect reality.²³ We are concerned because the consequences of incorrect assessment are so great for individuals under this legislation. Around 370,000 people will undergo assessments in 2006-07.²⁴ Even if the error rate is only 3 per cent, more than 11,000 assessment or referral decisions will need to be rectified.

Changes to Newstart Allowance

1.56 Given the significant increase in the number of people who will be in receipt of Newstart Allowance as a result of the changes to the Disability Support Pension and Parenting Payments, there are a number of proposed changes to the Newstart Allowance that concern us.

1.57 The introduction of RapidConnect imposes obligations on, and requires people to undertake activities before they are even on a payment. This means that as soon as a person either lodges a claim or contacts Centrelink with an intention to claim, they can be required to attend an interview with a specified person or organisation at a time and place specified in the requirement and/or be required to enter into an activity agreement. According to Mr Raper from the National Welfare Rights Network:

In all our experience, clients do not understand any requirements, activities or anything that is being sought to be imposed on them until they have their income sorted out. They generally leave it while trying to struggle off their own incomes. When they become unemployed or their circumstances dictate that they need to go on payment, all they need is to get on payment. It is not the right time to tell them about their activity requirements or what is going to happen to them if they do not fulfil them. RapidConnect may seem desirable but, in our view, imposing requirements on people before they are even on payment is absolutely fraught with difficulties...²⁵

1.58 For a person who is in receipt of the Newstart Allowance, the legislation removes the ability to negotiate the content of their activity agreement. Rather, the activity agreement will require the person to undertake one or more activities that the

23 *Proof Committee Hansard*, 22 November 2005, p.52.

24 ACROD Limited, National Industry Association for Disability Services, *Submission 49*, p.5.

25 *Proof Committee Hansard*, 21 November 2005, p.40. [Raper]

Secretary regards as suitable for the person. The Secretary's discretion in this matter is only limited by new subsections 606(1A) and (1B) which prevent certain requirements from being included in agreements. These prohibited requirements are to be included in a legislative instrument. According to Mr Raper, this situation is unsatisfactory:

The proposals leave only a non-legislated document to determine what a person should not be reasonably compelled to undertake. It seems to be coming at this backwards. We are going to set out in a legislative instrument what a person may not be reasonably required to undertake. How comprehensive is that list going to have to be? It seems that it would be far better to move back into the legislation the list of things that are currently in the legislation as to what can be reasonably and legitimately required of a person.²⁶

This report considers the use of legislative instruments in more detail in a later section.

Failure to encourage and support skills acquisition

1.59 Having an appropriate set of job-ready skills is vital to a job seekers' prospect of successfully finding employment. Unfortunately, the majority of welfare recipients have a low skills base. The Government's proposed measures serve to move a large number of relatively unskilled (or with skills that are outdated) Parenting Payment and DSP recipients into the job search market without offering adequate opportunities for them to update their skills in order to be ready for the workforce.

1.60 In its submission to this inquiry, the Brotherhood of St Laurence highlighted the disparity between the Bill's intent and the realities of labour market competition:

We need to build the capacities of those least able to compete in our modern economy and ensure they are able to live with common dignity whilst we do. Without measures of this type we find no vision of a fairer society in what the Government is proposing.²⁷

1.61 Under these proposed changes, parents and people with a partial capacity to work will be forced to look for 'suitable employment' in order to meet their activity requirements and receive their Newstart Allowance. However, this does not recognise that many of these people are lacking the skills to find such employment. According to the National Welfare Rights Network:

People who have dependent children or a disability may have been out of the workforce for some time and or have additional barriers to obtaining employment. Making these people solely look for work in order to comply with their activity agreement without allowing other types of activity, such as training, will be counterproductive. If people are not currently employable, making them seek work could be demoralising and pointless

26 *Proof Committee Hansard*, 21 November 2005, p.40.

27 Brotherhood of St Laurence and Anglicare Australia, *Submission 35*, p.10.

and will in no way improve their workforce participation. There needs to be a recognition that job search should not be the only activity that would meet the activity test.²⁸

1.62 Before welfare recipients that have potentially been out of the workforce for many years are forced to seek employment, their capacity for successfully doing so needs to be improved.

1.63 Sole parents have lower rates of formal education compared with coupled parents, with half having finished school at Year 11 or earlier. Sole parents are also less likely to have post-secondary education and may lack the qualifications for many jobs. Three-quarters of sole parent mothers have no post-secondary qualifications, but the proportion increases gradually so that by the time their youngest child is 15 years old they are just as likely as coupled mothers to have a degree. It is clear that they use the time from when their youngest child starts school to undertake further education.

1.64 Ms Julia Perry, former Director of Disability Policy and Director of Sole Parent and Family Policy in the Department of Family and Community Services, told the Committee that of those on the Disability Support Pension, a high proportion did not complete Year 12 or have post-secondary level education. She stated:

This is a disadvantage in the labour market, particularly for those who are incapacitated for manual work. The labour market is suffering from skills shortages and requires higher education levels among the potential workforce.²⁹

1.65 During this inquiry, the Committee was informed that the Bill fails to provide adequate mechanisms to ensure that those entering the job search market are able to sufficiently build their capacity to be ready for employment. Critical to this failure is the activity requirement focussed entirely on seeking 'suitable employment', where a period of part-time study or training would often be more beneficial to a person's employment prospects.

1.66 For sole parents or people with a partial capacity that wish to improve their skills through study, there are no viable options provided by these bills. Austudy is available for full time study only (except for people with substantial disability) and cannot provide an income supplement to parents who are only able to undertake part-time study. This disincentive is exacerbated by the fact that Austudy represents a lower level of assistance than Newstart, and is intended to contribute to the cost of textbooks and other costs of education. It is also critical to note that in being moved to Newstart, sole parents lose their access to the Pensioner Education Supplement (PES) that supports many through the process of improving their qualifications and work-readiness. When the Department was asked to explain why PES would not be available for sole parents and people with a partial capacity on Newstart, their

28 National Welfare Rights Network, *Submission 32*, p.14

29 Ms Julia Perry, *Submission 39*, p.4.

response was that it was only available to pensioners. This is an inadequate rationale, and ignores the fact that these people will retain other pension-specific benefits such as the Pensioner Concession Card.

1.67 In this package, the government has announced employment assistance measures (through the Employment Preparation Service) to improve the skills of those that will be required to seek work. However, evidence received by the Committee indicated that this will be insufficient to properly address the extent of the skill shortages of these new job seekers, many of whom will have a Year 10 education or less. Without an improvement in skills, many will become entrenched in low-skill, low paying jobs without any prospect of gaining higher paid work.

1.68 Furthermore, a sole parent with a child turning eight will be required to look for work, equivalent to the 15-hour part-time work search requirement. However, the legislation does not specify whether vocational training and education, particularly beyond twelve months duration, will satisfy the Howard Government's Newstart activity requirements under the welfare changes. We consider that the legislation should provide that single parents and people with a disability can discharge their obligations by trying to improve their skills.

1.69 ACOSS submitted to the Committee that the Government's assistance was inadequate to overcome the barriers to employment this new group of Newstart recipients face:

... the bulk of the places available are in lower-level employment assistance such as an interview a month and 'self service' job search. This is unlikely to remove entrenched barriers to employment such as poor education and skills [and] lack of recent employment experience...³⁰

1.70 It further stated that vocational training places were too scarce:

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.³¹

1.71 The National Employment Services Association (NESA) also told the Committee that the Employment Preparation Service would not be sufficient to meet the skills needs of single parents who have been out of the work force for some time:

Employment preparation is supported by a \$300 job seeker account investment. However, there is quite a substantial expectation in terms of what that account will actually do and there is quite a range and suite of

30 ACOSS, *Submission 28*, p.5.

31 ACOSS, *Submission 28*, p.5.

options available to both the job seeker and the provider in terms of the expenditure of that account.³²

1.72 It further noted that only after one year of unemployment will parents moved onto Newstart be eligible for customised assistance, which attracts just over \$800 in their job seeker account. According to NESA, unskilled parents would benefit from being eligible for customised assistance from the beginning, as this 'will enable you to make some genuine progress on behalf of the job seeker'.³³

Inadequacy of support

1.73 Any initiation of an increase in participation requirements for welfare recipients must be accompanied by the provision of intensive services to assist such people to meet their potential or increased obligations. The Committee was told that this is especially important as the unemployment rate drops and the number of people entering the workforce diminishes. The solutions for each person who is a disadvantaged job seeker need to become increasingly individualised.³⁴

1.74 The Committee was told that although there will be increases in places across various programs to assist people to move into the workforce, the level of spending per client for all of their employment, education and mental health needs is not sufficient to be able to achieve good outcomes.³⁵ Additionally, there is wide concern amongst the employment services industry that the provisions within the new Employment Preparation Service will not be sufficient to meet the ends of many parents:

The industry is very clear and unanimous in its belief that Job Search Support provides inadequate support for parents making the welfare to work transition.³⁶

1.75 Furthermore, the job seeker classification instrument, which is used to assess a job seeker's level of disadvantage, and therefore the level of funding to which they are entitled has been amended so that people now need to be more disadvantaged than before to be eligible for higher levels of support through Customised Assistance.

Lack of protection for vulnerable Australians

1.76 Indigenous Australians remain the most disadvantaged and marginalised group in Australia and are the most profoundly affected by lack of employment opportunities. This package fails to acknowledge the particular barriers to

32 *Proof Committee Hansard*, 21 November 2005, p.81. [Sinclair]

33 *Proof Committee Hansard*, 21 November 2005, p.82. [Sinclair]

34 *Proof Committee Hansard*, 22 November 2005, p.9. [Dudley]

35 *Proof Committee Hansard*, 21 November 2005, p.66. [Perkins]

36 National Employment Services Association (NESA), *Submission 30*, p.5.

employment that Indigenous Australians face with regard to generating sufficient jobs where many Indigenous people live and in assisting Indigenous people to be “employment ready”. Given that Indigenous people suffer a greater burden of ill-health than other Australians, the changes to the DSP eligibility in combination with the lack of job opportunities in remote areas means that Indigenous people are likely to be disproportionately impacted by moves to the Newstart allowance. Additionally the lower levels of literacy within Indigenous populations mean that the harsh and punitive penalty system will have a comparatively greater effect on Indigenous people.

1.77 The increasing lack of employment opportunities between rural and regional areas mean that the impact of income support cuts will be exacerbated in rural and regional areas. Regardless of lower employment, education and training opportunities, many potential welfare recipients in rural and regional Australia will face less income support.

1.78 The Government's proposed changes risk placing the most vulnerable Australians in a position where they may be compelled to accept employment with below-award conditions or lose their benefits. We are concerned that as a component of the test for suitable employment, the entitlement to refuse a job that does not meet award standards, has been removed. Here, the proposed legislation before the Committee intersects with the Government's workplace legislation, which removes existing award conditions and replaces them with a minimum wage rate set by the Fair Pay Commission and the inadequate protection of four other minimum conditions.

1.79 This generated considerable concern for a number of organisations. Catholic Welfare Australia submitted that:

The interaction of the welfare to work legislation with the Government's proposed industrial relations changes potentially create a situation in which an income support recipient is required to accept employment which does not include penalty rates, overtime and leave loadings for casuals, under threat of losing payment for 8 weeks.³⁷

1.80 The St Vincent de Paul Society also feared vulnerable Australians would be driven 'out of the frying pan and into the fire':

Our concern lies primarily with the way in which the combination of these two reform agendas will result in some of the most vulnerable members of the community being pushed off social security and into low-paid jobs that will be offered on the proviso that an Australian Workplace Agreement be accepted, even if that Agreement results in a lowering of real income and a loss of conditions such as penalty rates. The potential for those AWAs to wreak havoc on the lives of Australian families, especially the precarious positions of single-parent families, is very real and profoundly disturbing.³⁸

37 Catholic Welfare Australia, *Submission 33*, p.49.

38 St Vincent de Paul Society, *Submission 20*, p.49.

1.81 In effect, single parents or those with a partial work capacity could be presented with a stark choice: accept a job below current award standards or lose your benefits.

1.82 Many people are currently not managing financially on their existing payments. A reduction in income caused by enforced transfer to the Newstart Allowance will exacerbate their already grim financial situation. Demands on welfare services will increase. The legislation is likely to have major impacts on two of the most vulnerable groups - people with a disability and sole parents - who already constitute approximately 70 per cent of the home visits of the St Vincent de Paul Society:

I think [people with a disability and sole parents] will just find life harder than it was before. I do not think there is any doubt about that. They will come to us more often seeking help and we will do our best to help them—we and others.³⁹

1.83 Australian Labor Party, Australian Democrat and Australian Greens Senators are astounded at the inflexibility in the legislation that will suspend people's benefits for a period of 8 weeks for 3 breaches of the compliance regime, including for administrative breaches. This, despite a claim in the Explanatory Memorandum that the new compliance framework to be introduced on 1 July 2006 focuses on re-engagement as its key principle.⁴⁰ The suspension of benefits for a period of this length is unduly harsh and will potentially cause extreme distress to those who are most vulnerable:

I need to stress that we are talking about new, vulnerable groups that are not used to this system. We are talking about parents who are primary carers and about people with partial capacity – people with episodic mental illness and psychiatric disabilities who, until 1 July next year, would be on disability support pensions. These people are exposed to this system. Within two fortnights they could be off payment for eight weeks. They may be going through an episode that they are not able or willing to disclose to Centrelink – not able to articulate why that is preventing them from undertaking the activities that they have been slammed for not undertaking.⁴¹

1.84 In addition to imposing harsh 8 week non-payment periods, this Bill will impose a 10% penalty on earnings debt, regardless of whether this debt was incurred intentionally or through the provision of deliberate misinformation. Given the complexity of the social security system, confusion as to obligations is common and it is unreasonable to additionally penalise welfare recipients for inadvertent errors. Additionally, it is indefensible to apply such a provision retrospectively.

39 *Proof Committee Hansard*, 22 November 2005, p.35. [Dalton]

40 Explanatory Memorandum, p. 72.

41 *Proof Committee Hansard*, 21 November 2005, p.41. [Raper]

1.85 Employment service providers are highly concerned that the impact of the compliance regime could result in increased levels of personal, family and social dysfunction such as self harm, domestic violence, family breakdown, increased crime and the like.⁴² When an individual is going through traumatic times and crisis such as bereavement or family breakdown they will be challenged in their ability to comply with activity requirements.

1.86 Temporary activity test exemptions will need to be actively sought by people experiencing traumatic circumstances such as domestic violence, family separation, death of a spouse, court proceedings, homelessness, or serious illness of a family member or other circumstance where a person could not reasonably be expected to meet an activity test. The legislation would require people to pro-actively manage their activity test status at a time of extreme distress. Those who fail to properly manage their activity test status will be subject to payment suspensions and reductions forcing them to retrospectively seek exemption from an increased distress and poverty status. People with poor English literacy, cognitive impairment, mental illness or physical illness will be particularly vulnerable.⁴³

1.87 Further, the list of exemptions is too narrow. For example, there is no exemption for a parent of a child that has been abused:

There is no exemption for cases where the children have been abused, as opposed to the parent. If a child has been the victim of violence or sexual abuse, there are often quite a lot of problems for which they really need the parent who has taken them away from the situation to care for them.⁴⁴

1.88 It is also clear that many individuals are not adept at conveying their circumstances clearly. For example research indicates that the majority of people who are homeless do not identify themselves as such. These job seekers are highly vulnerable in the compliance regime but as there is no diagnosis or health support in place, they may be labelled as merely non compliant.⁴⁵

1.89 While there needs to be provision for those who are recalcitrant so far as their obligations are concerned (although the size of such a cohort is a matter of some conjecture), there must also be flexibility and a capacity to judge cases on their merit. We recognise the importance of the human factor in administering the welfare system. Additionally, flexibility and fairness in approach is especially important under the new compliance regime because it is being extended to people with disabilities and parents who are highly vulnerable and unfamiliar with Centrelink and Job Network procedures.

42 National Employment Services Association (NESA), *Submission 30*, p.7.

43 National Council of Single Mothers and their Children Inc., *Submission 19*, p.3.

44 *Proof Committee Hansard*, 22 November 2005, p.53. [Perry]

45 National Employment Services Association (NESA), *Submission 30*, p.8.

1.90 The National Council of Single Mothers and their Children Inc. argues that the legislation will increase financial hardship and reduce social security protections for vulnerable families.⁴⁶ Children in single parent households will have reduced access to parental care and income support can be more easily stopped with fewer protections from unfair and ill-informed decisions. The legislation seriously erodes the social safety net for single parents and their children and the consequences of this will have the highest adverse impact on the children whose families are further impoverished.

1.91 Furthermore, the planned expanded use of Newstart Allowance in place of specific payments for particular need groups – single parents and people with disabilities – will erase the specific provisions which have enhanced the effectiveness of Australia’s social security safety net. Newstart Allowance was designed for the short-term income support of individuals without significant caring or health or disability issues seeking full-time employment. We consider that trying to make the payment fit the needs of people with family obligations, health and/or disability issues and with part-time or intermittent availability linked to these circumstances is going to be a continuing problem that will be played out across the lives of people who are already experiencing disadvantage and hardship.

Departmental guidelines

1.92 During the course of this inquiry, a number of organisations expressed concern that much of the detail of these wide-ranging changes is absent from the legislation. Instead the Committee has been informed that, for sections of the legislation where significant discretion has been granted to the Secretary, guidelines will be formulated to provide assistance to Commonwealth officers interpreting sections. In evidence to the Committee, the Department of Employment and Workplace Relations (DEWR) indicated that the guidelines would reflect the intent of the legislation, and be developed by the Secretary and approved by the Minister.

1.93 This is clearly not an appropriate manner to approach such an important piece of legislation that has the potential to profoundly affect people's lives. Essentially, the Government is asking the Senate to pass this bill in the hope that the guidelines will reflect the policies articulated in evidence by the Department. Although DEWR indicated that where discretion exists in the legislation the guidelines would ensure that unreasonable demands would not be placed on Newstart recipients, these are merely verbal assurances. They are not concrete guarantees enshrined in the legislation that this Committee has been given the task of examining. Instead, these substantial guidelines will be developed and applied at the discretion of the Secretary.

1.94 In evidence, ACOSS outlined its concerns over the lack of parliamentary oversight into some important provisions in the bill:

46 National Council of Single Mothers and their Children Inc., *Submission 19*, p.1.

When we are talking about the rights of pretty disadvantaged people, we need to be ensuring that there is parliamentary oversight in relation to these provisions. Right now, we know that these provisions can be changed by the secretary. Given that what we are talking about is a large shift in the way that the social security system is working, we think that within that large shift there will be intended effects which are negative but also many unintended effects. It is much better that it is very clear in the legislation so that there can be some parliamentary oversight in relation to the outcomes of those rulings.⁴⁷

1.95 This comment correctly highlights that not only are significant aspects of this package unable to be examined as part of this inquiry process, the proposed guidelines will not be subject to parliamentary oversight and scrutiny after their implementation. This affords the guidelines with a certain degree of malleability that will not be subject to any parliamentary input. Departmental guidelines can be easily changed.

1.96 The Committee was also told of the risk of departmental guidelines being given varying interpretations at the local level. The National Foundation of Australian Women warned that codifying the intent of such legislation in departmental guidelines naturally led to 'idiosyncratic local decision making'.⁴⁸

1.97 The Committee received evidence outlining a number of circumstances where the bill left wide discretion to the Secretary; matters which the Committee has been informed will be clarified in the department's guidelines. The extent of the discretion granted and the uncertainty as to how the guidelines would be drafted was of significant concern to these organisations.

1.98 The National Foundation of Australian Women told the Committee that:

We know that guidelines do not have the same status as regulations, and we think it is important when these policies are finally put in place that, to the extent feasible, there be parliamentary scrutiny through the regulation process rather than through simply having guidelines. Guidelines are just that – guidelines. They do not have a lot of status.⁴⁹

1.99 The Committee heard evidence expressing concern over the Secretary's discretion when determining whether or not work is 'unsuitable'. In the context of single mothers, this of course closely relates to issues of availability of appropriate child care. In June 2005, the Prime Minister assured single parents that:

If no suitable child care is available, or the cost of care would result in a very low or negative financial gain from working, the parent will not be required to accept the job.⁵⁰

47 *Proof Committee Hansard*, 21 November 2005, p.28. [Johnson]

48 *Proof Committee Hansard*, 22 November 2005, p.74. [Coleman]

49 *Proof Committee Hansard*, 22 November 2005, p.73. [Coleman]

50 Press release, 2 June 2005.

1.100 The Explanatory Memorandum to the bill states that:

The Secretary will bear in mind the cost of child care and accessibility of the child care when making a determination as to the appropriateness of the child care.⁵¹

1.101 Unfortunately the bill itself does not protect parents - when required to accept work when not deemed to be 'unsuitable' - from incurring child care costs resulting in low or negative financial gains from working. Again, the Committee is left to rely on assurances by the Prime Minister and DEWR that the guidelines will address this concern, rather than being able to turn to the provisions of the bill before it.

1.102 Other examples of government legislating through the Explanatory Memorandum or as yet undrafted guidelines include assurances that single parents will not be required to look for, or accept, work that would involve working in excess of 25 hours per week,⁵² or jobs in which more than 10 per cent of the income is eaten up in travel costs. Why could protection from these instances not be enshrined in the legislation?

1.103 As mentioned previously, there were also a number of concerns over job search activity requirements. Significantly, the Committee heard that there is no legislative guarantee that, as part of an activity agreement, job seekers would not have to undertake unreasonable measures to satisfy their job search requirements. In evidence to the Committee, ACOSS stated:

The bill leaves too many aspects of activity requirements and the penalty regime to guidelines or administrative discretion. For example...the Newstart activity agreements may require a person to undertake, and I quote from item 63 schedule 7:

...one or more activities that the Secretary regards as suitable for the person.⁵³

1.104 Without the guidelines, the Bill's requirement for job seekers on Newstart to undertake 'one or more activities that the Secretary regards as suitable' offers no indication as to what these activities might include, or be limited to. ACOSS recommended:

...that schedule 7, item 63 be removed and that the existing provisions of 606(1) to (1AC) remain.⁵⁴

Indeed, under the current legislative arrangements (s606(1) of the *Social Security Act 1991*) there are parameters specifying the activities that may included as part of a job search requirement. These are:

51 Explanatory Memorandum, p.41

52 Explanatory Memorandum, p.40

53 *Proof Committee Hansard*, 21 November 2005, p.25. [Johnson]

54 *Proof Committee Hansard*, 21 November 2005, p.25. [Johnson]

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- 606(1) A Newstart Activity Agreement with a person is to require the person to undertake one or more of the following activities approved by the Secretary:
- (a) a job search;
 - (b) a vocational training course;
 - (c) training that would help in searching for work;
 - (d) paid work experience;
 - (e) measures designed to eliminate or reduce any disadvantage the person has in the labour market;
 - (ea) subject to section 607A, development of self-employment;
 - (eb) subject to section 607B, development of and/or participation in group enterprises or co-operative enterprises;
 - (ec) an approved program of work for income support payment;
 - (f) participation in a labour market program;
 - (fa) participation in a rehabilitation program;
 - (fb) participation in the PSP;
 - (g) another activity that the Secretary regards as suitable for the person and that is agreed to between the person and the Secretary.

1.105 The Government has decided to remove these provisions and leave the activities that may be included as a job search requirement to the discretion of the Secretary. This has understandably generated considerable concern over the types of activities that Newstart recipients may have to undertake. For example, could a person be required to move house, or to go on a diet, to make them more employable? Similarly, how many job searches will single parents be required to undertake if their current employment falls just under the fifteen hour threshold? Will the activity requirements regarded as suitable by the Secretary place a greater burden on that parent's parenting time than would a 15 hour per week job exceeding the minimum requirement?

1.106 Although these specific examples were ruled out as possible scenarios by DEWR in evidence, the bill contains no protection for Newstart recipients being subject to similarly harsh determinations.

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

1.107 This Bill amends the law in relation to the number of hours of Childcare Benefit (CCB) families can claim. It was not the primary focus of discussion by presenters to the Committee. Amongst other aspects, it has the effect of increasing the number of hours for which a family can receive CCB, where one or both parents do not satisfy the work/study test. We note the concerns raised by Catholic Welfare in relation to some aspects of the legislation⁵⁵. However we see no compelling reason to oppose this Bill.

CONCLUSION

1.108 While these are the most drastic changes to the social welfare system since the introduction of the Social Security Act in 1947, they have failed any test of welfare reform.

1.109 Real welfare reform looks at the reasons someone isn't working and delivers practical solutions. But at their cold heart, these changes cut the household budgets of vulnerable Australian families. Instead of helping to move people from welfare to work, these changes simply dump people from one Centrelink database to another. These incompetent changes will not reduce the growing number of Australians who rely on welfare payments but will instead increase their hardship.

1.110 More people will end up on lower payments than will gain work, and those who gain work may end up worse off working than on welfare because they will be giving most of their earnings back to the Howard Government. We are particularly concerned with the effect on children in those families who face such reductions in income.

1.111 There is simply insufficient support and reward for current and future welfare recipients to move from welfare to work.

1.112 Several submissions made suggestions to try to improve the bill, by reducing the disincentives to work, reducing the hardship for vulnerable Australians, and increasing support measures.⁵⁶

1.113 However, Australian Labor Party, Australian Democrat and Australian Greens Senators believe that for all these suggestions to be adopted, the bill would essentially

⁵⁵ Submission 33, CWA

⁵⁶ ACOSS, *Submission 28*, Ms Julia Perry, *Submission 39a*, and National Welfare Rights Network, *Submission 32*.

have to be re-written. The necessary amendments amount to a complete redraft of the bill, and a reversal of the Government's priority of dumping people onto lower welfare payments.

1.114 Therefore the Australian Labor Party, Australian Democrats and Australian Greens Senators recommend that the *Employment and Workplace Relations Legislation Amendment (Welfare to Work and other Measures) Bill 2005* be opposed.

Senator Claire Moore
ALP, Queensland

Senator Helen Polley
ALP, Tasmania

Senator Chris Evans
ALP, Western Australia

Senator Penny Wong
ALP, South Australia

Senator Jan McLucas
ALP, Queensland

Senator Andrew Bartlett
AD, Queensland

Senator Rachel Siewert
AG, Western Australia

Family First Dissenting Report¹

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

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

Family First believes people with children are parents first, workers second. We also believe people on welfare who can undertake paid work, should work. The difficulty is in finding the right balance between personal responsibility and community obligation.

As a result of time constraints, this report will focus on the effect of the proposed changes on sole parents.

There was general agreement among groups making submissions to the inquiry that jobless families would be better off if at least one parent were employed in paid work. For example, the National Welfare Rights Network stated that:

The overwhelming majority of Australians would be better off in suitable employment, if they have the capacity to work and where this is suitable to their circumstances, rather than remaining on the very low level of income support payments available in Australia.²

However, groups making submissions also had concerns about how the Government planned to encourage people into employment:

... the Bill unnecessarily places many sole 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.³

Focus on child wellbeing

One central consideration for Family First is the effect of unemployment and low household income on children.

There is no doubt that children from low income households suffer as a result of not having a parent in employment.

1 The Parliamentary Library gave valuable assistance for some aspects of this report.

2 Submission 32, National Welfare Rights Network, page 1.

3 Submission 28, Australian Council of Social Service, page 3.

There is a growing body of literature both in Australia and internationally documenting the association between socioeconomic status and mortality, with disadvantaged groups experiencing higher death rates for most major causes of death at all ages. ... It has been calculated that each year in Australia 1500 deaths of children aged 0-14 years can be attributed to socioeconomic disadvantage.⁴

There is particular risk for children if there is no employed parent in the household because:

...the absence of a resident employed parent may negatively impact on the child's immediate material wellbeing as well as adversely affecting their future income, 'social class' and economic success.⁵

Eighteen per cent of children live in a household where there isn't a parent with a job. That's over 660,000 children across Australia. More than sixty per cent of these children are in single parent households.⁶

Over two thirds of sole parent families where the parent is not employed had their youngest child aged less than ten years old.⁷

These are compelling reasons to help parents into employment. But these reasons have to be balanced with children's need for parental contact and supervision.

A systematic review of the qualitative evidence suggests that good family relationships, friendships and neighbourhood networks help to mitigate the impact of disadvantage on the wellbeing of children and young people.⁸

Parenting is a job

Family First believes that "parenting is a job"⁹ in its own right.

The Council of Single Mothers and their Children emphasised that "... single parents are already doing a job. They are raising their children, which is the most important job in the world."¹⁰

4 Zwi, K and Henry, R (2005), Children in Australian Society: are we doing enough to target children in need in Australia? *Medical Journal of Australia*, Vol 183(3), page 154.

5 Australian Bureau of Statistics (2004), *Australian Social Trends: Families with no employed parent*. Australian Bureau of Statistics. See: <http://libabs1.parl.net/abs/abs%40.nsf/94713ad445ff1425ca25682000192af2/186ac69baa5c3249ca256e9e0027b826?OpenDocument>

6 *ibid*

7 *ibid*

8 Zwi, K and Henry, R (2005), Children in Australian Society: are we doing enough to target children in need in Australia? *Medical Journal of Australia*, Vol 183(3), page 155.

9 Submission 20, St Vincent de Paul Society, page 5.

The Government has recognised some parents may be unavailable for work because for example they are home schooling their children, they have a child with a disability or because they are foster carers.¹¹

Family First supports Recommendation 4 of the Chair's Report that parents caring for four or more children should be given an exemption from the activity requirements.

Difficulties facing sole parents

Sole parents face particular difficulties because they do not have the support of a spouse or partner. Typically they have much greater difficulty in meeting competing demands for the immediate needs of their children and finding time for paid work.

Time use research shows that sole mothers carry a much greater burden for child care than partnered mothers. Time constraints on sole mothers are greater than those for partnered mothers in that sole mothers are in the company of their children and no other adult for many more hours per day. Sole mothers make up for the absence of a partner through increased activity. As sole mothers spend more time than partnered mothers supervising their children as a primary or secondary activity, this limits their opportunities to engage in paid work. Without a partner to help supervise their children sole mothers cannot allocate as much time as partnered mothers to paid work.¹²

Being a sole parent also often means there is more difficulty in accessing informal child care. Sole parent status may be a result of domestic violence which means time is required both for the parent to heal and to nurture children who may be traumatised.¹³

Sole parents in paid work also face the difficulty of working out what to do with their children during school holidays when they are not being supervised in school.

Some people are very lucky and they have fabulous employers who allow them that time off [during school holidays]. Ninety-five per cent of them are not that lucky, and that is a big concern. Especially with the move to casualising the work force, people can be just slipped out of a roster so very easily and that is what our members report to us happens. You say, 'sorry, I cannot come to this shift,' and then you refuse two or three more and that is it: you are not put on the roster again.¹⁴

10 Ms Jessica Permezel, Project Worker, Council of Single Mothers and their Children. Committee Hansard, 17 November 2005, page 31.

11 Second Reading Speech, 9 November 2005.

12 Submission 17, Human Rights and Equal Opportunity Commission, page 3.

13 Ms Permezel, op cit, page 31-32.

14 Ms Permezel, op cit, page 34.

One witness highlighted the difficulty of accessing vacation care during school holidays:

The parents who work in my agency mostly have to take school holidays off. They are professional, trained, middle-class workers, and they cannot find appropriate vacation care.¹⁵

One study found that of all single parent families, 55 per cent could not afford a week's holiday away from home each year, 46 per cent had not been able to pay utility bills at some time during the year leading up to the survey, 36 per cent usually bought second hand clothes and 33 per cent had sought financial help from family or friends in the year leading up to the survey.¹⁶

Changes will cut income

The most obvious and perhaps most important impact of the proposed changes is that from 1 July 2006 new applicants for Parenting Payment Single (PPS) will be switched to Newstart allowance (NSA) when their youngest child turns 8. This results in an immediate cut in income.

NSA provides a lower payment rate than PPS and DSP, has a much harsher income test, and is associated with much less generous income tax concessions. As a result, many sole parents with school age children and many people with disabilities will receive much lower incomes than under the current rules.¹⁷

The practical effect is that sole parents have \$29 less each week, full time students have \$60 less each week and someone earning \$200 a week will be \$96 worse off.¹⁸

This change would hit families hard:

A jobless single parent family spends half of its income on utilities, food and housing, compared to one-third for other families. With the cut to household income from changes in Government benefits, this family will have even less income to pay for child care, transport, and other incidentals when looking for, and participating in, the paid workforce.¹⁹

So rather than receiving a payment more attuned to the needs of a family, the family receives "Newstart allowance [which] was designed for the short-term income support

15 Ms Jane Woodruff, UnitingCare, Committee Hansard, 23 November 2005, page 33.

16 Bray, JR (2003), *Hardship and Australian Families*. Paper presented at the 8th Australian Institute of Family Studies Conference. <http://www.aifs.gov.au/institute/afrc8/bray.pdf>

17 Harding, A et al (2005), *Options for reducing the adverse impact of the proposed welfare-to-work reforms upon people with disabilities and sole parents*. Report to the National Foundation for Australian Women by the National Centre for Social and Economic Modelling. Canberra, 3 November. Page 2.

18 Submission 26, Victorian Council of Social Service, page 3-4.

19 Submission 33, Catholic Welfare Australia, page 14.

of individuals without significant caring or health or disability issues seeking full-time employment."²⁰

One agency stated that:

[The \$29 a week reduction in income] is huge. It always strikes me in the office when we give somebody a \$50 food voucher. I think, 'God, is that all we can manage?' and they think they have won the lottery. That means the difference between eating tonight or not. That means that they can afford the petrol to put in the car to get the kids to school or child care so they can go to work.²¹

The change will also affect a significant number of people. The number of single parents who will receive Newstart allowance instead of Parenting Payment Single is estimated to be 85,000.²²

When the Department of Employment and Workplace Relations was asked whether it had done research on how well single parents could cope with a cut in their benefits, the Department confirmed it had not done research on that point.²³

Further, the Department argued that sole parents were no different to any other unemployed person:

They are basically job seekers, or should be construed as job seekers while there is appropriate child care and schooling available. In that context, I guess the question is: what is the rationale for paying them differently to other job seekers?²⁴

But parents are different. They have a significant personal and community obligation to look after their children. A cut in payments – which happens whether or not a parent has good employment prospects - undermines that crucial role.

The question as to whether suitable jobs for sole parents are available is an important one. Witnesses at the Albury Wodonga hearing indicated that the proportion of jobs that would be available for sole parents in school hours between nine in the morning

20 Submission 19, National Council of Single Mothers and their Children Inc, page 1.

21 Ms Jessica Permezel, Project Worker, Council of Single Mothers and their Children. Committee Hansard, 17 November 2005, page 33.

22 Senate Employment, Workplace Relations and Education Committee 2005-06 Budget Estimates Hearing, Questions on Notice, Question no. W003-06, W016-06 and W017-06

23 Dr Alison Morehead, Department of Employment and Workplace Relations, Committee Hansard, 23 November 2005, page 21.

24 Mr Graham Carters, Department of Employment and Workplace Relations, Committee Hansard, 23 November 2005, page 21.

and three in the afternoon ranged from two²⁵ to five²⁶ to 10 per cent²⁷ of all jobs available.

Pre-natal and post-natal relief

There is a provision in the legislation (section 502G, EWR Legislation Amendment Bill) which gives new mothers an exemption from the activity test for six weeks before and after birth. It is not clear why this provision exists, given mothers with their youngest child under 6 years of age are not covered by the activity test.²⁸ However, exemption from the activity test for six weeks after birth is not sufficient. The World Health Organisation recommends that women cease work 4-6 weeks before the expected delivery date and return to work approximately sixteen weeks after childbirth.²⁹

The World Health Organisation stated that:

[a] period of absence from work after birth is of utmost importance to the health of the mother and the infant. This is conducive to both the optimal growth of the infant and the bonding between mother and infant. Absence from work also allows the mother to recover. The time needed depends on her health before, during and after birth, as well as on the health of the infant and whether or not the birth was complicated. After delivery maternal health problems that may arise include infections, anaemia, depression, backache, anxiety and extreme tiredness.³⁰

An extension in the provided time from six to up to sixteen weeks is important for the health of both mothers and newborn children.

Conclusion

Family First believes that families benefit from paid work. While recognising the vital role of parents in looking after children at home, those receiving welfare payments also have an obligation to find work if they can work.

However, sole parents should not be penalised if they make every reasonable effort to find work and cannot find a job. It would be unreasonable if it were recognised there

25 Ms Jessica Permezel, Project Worker, Council of Single Mothers and their Children. Committee Hansard, 17 November 2005, page 34.

26 Graeme Patterson, Area Manager, Sureway Consultants. Committee Hansard, 17 November 2005, page 28

27 Travis Windsor, Manager, Albury CVGT. Committee Hansard, 17 November 2005, page 18.

28 Submission 32, National Welfare Rights Network, page 10.

29 Health aspects of maternity leave and maternity protection as discussed in a statement to the International Labour Conference 2 June 2000: http://www.who.int/reproductive-health/publications/maternal_mortality_2000/Health_aspects_of_maternity_leave.en.html

30 *ibid*

was no suitable employment in a particular area, yet a sole parent was still being paid \$29 per week less than Parenting Payment Single (PPS). Instead, the value of their Newstart allowance (single with children) should be raised to the value of PPS and the parent should be asked to undertake 15 hours a week of voluntary work in a community organisation.

Family First supports Recommendation 4 of the Chair's report. This recommendation provides that parents caring for four or more children should be given an exemption from participation requirements.

Steve Fielding
Family First Senator for Victoria

APPENDIX 1

Submissions received by the Committee

- 1 Communication Project Group (SA)
- 2 Hemlof, Mr Loris Erik Kent (SA)
- 3 Heckendorf, Mr David (ACT)
- 4 Cunningham, Ms Katherine (VIC)
- 5 Brain Injury Association of Queensland (QLD)
- 6 Sole Parents' Union (NSW)
- 7 National Foundation for Australian Women (NFAW) (ACT)
- 8 Queenslanders with Disability Network Inc (QLD)
- 9 Physical Disability Council of Australia Ltd (PDCA) (QLD)
- 10 Brain Injury Australia (VIC)
- 11 Women With Disabilities Australia (WWDA) (TAS)
- 12 UnitingCare Australia (ACT)
- Supplementary information*
- Additional information tabled at public hearing 23.11.05
- 13 National Alliance for Children and Families at Risk (NSW)
- 14 Women's Electoral Lobby Australia Inc (ACT)
- Supplementary information*
- Additional information following public hearing 22.11.05, received 24.11.05
- 15 Justice & International Mission Unit – Uniting Church of Australia (VIC)
- 16 Hanover Welfare Services (VIC)
- 17 Human Rights and Equal Opportunity Commission (NSW)
- 18 Smith Family, The (NSW)
- 19 National Council of Single Mothers and their Children Inc (SA)
- 20 St Vincent de Paul Society (NSW)
- 21 National Council on Intellectual Disability (ACT)
- 22 Australian Federation of Disability Organisations (VIC)
- 23 Association of Competitive Employment (ACE) (VIC)
- 24 Council of Single Mothers and their Children (CSMC) (VIC)
- 25 Department of Family and Community Services (ACT)
- 26 Victorian Council of Social Service (VCOSS) (VIC)
- 27 Australian Council of Trade Unions (ACTU) (VIC)
- 28 Australian Council of Social Service (ACOSS) (NSW)
- Supplementary information*
- Additional information following public hearing 22.11.05, received 23.11.05

- 29 Disability Council of NSW (NSW)
- 30 National Employment Services Association (NESA) (VIC)
- 31 Women's Action Alliance (Australia) Inc (VIC)
- 32 National Welfare Rights Network (NSW)
- Supplementary information*
- Additional information tabled at public hearing 21.11.05
 - Supplementary submission
- 33 Catholic Welfare Australia (ACT)
- 34 Tableland Women's Centre Inc (QLD)
- 35 Brotherhood of St Laurence and Anglicare Australia (VIC)
- 36 NSW Disability Discrimination Legal Centre (NSW)
- 37 Australian Mental Health Consumer Network (QLD)
- 38 Council of Intellectual Disability Agencies (Vic) Inc (VIC)
- 39 Perry, Ms Julia (NSW)
- Supplementary information*
- Additional information public hearing 22.11.05, received 23.11.05
- 40 MS Australia (VIC)
- 41 National Ethnic Disability Alliance (NEDA) (NSW)
- 42 Haemophilia Foundation Australia (VIC)
- 43 CVGT (NSW)
- 44 Southwest Brain Injury Rehabilitation Service (NSW)
- 45 Australian Foster Care Association (ACT)
- 46 Personnel Employment Albury Wodonga Inc (NSW)
- 47 Department of Employment and Workplace Relations (ACT)
- Supplementary information*
- Responses to questions on notice following public hearings 21 & 23.11.05, dated 22.11.05 and 23.11.05
 - Additional information tabled at public hearing 23.11.05
- 48 People with Disability Australia Inc (NSW)
- 49 ACROD Limited (ACT)
- 50 Job Futures (NSW)
- 51 The Salvation Army (NSW)
- 52 Jenkin, Ms Hanna (QLD)
- 53 Martin, Ms Jeannete (VIC)
- 54 Scott, Ms Evelyn (ACT)
- 55 MacNight, Ms Mandy (VIC)
- 56 Fairfax, Ms Katherine (VIC)
- 57 Morgan, Ms Lily (VIC)

- 58 Guildford, Ms Sally (NSW)
- 59 Jobs Australia (VIC)
- 60 Queensland Government (QLD)
- 61 Childcare Associations Australia (ACT)
- 62 Willis, Ms Judith S (VIC)

APPENDIX 2

Public Hearings

Thursday, 17 November 2005

Albury City Convention Centre, Albury

Mr Dave O'Donnell (Senior Counsellor – Riverina TAFE)

Personnel Employment Albury Wodonga Inc

Ms Christine Sanger, General Manager

Ms Kate Fiske, Employment Consultant

Ms Tracey Fraser, Employment Services Manager

CVGT

Mr Travis Windsor, Manager

Association of Competitive Employment

Mr Mick Veitch, National Chairman

Sureway Consultants Pty Ltd

Mr Graeme Patterson, Area Manager – Hume

Council of Single Mothers and their Children (Victoria)

Ms Jessica Permazel, Project Worker

Albury Wodonga Council of Social Services

Ms Diane Sutherland, Chair

Ms Vivien Voss, Treasurer

Australian Foster Care Association

Ms Helen Falconer, Policy Officer

Southwest Brain Injury Rehabilitation Service

Mr Robert Parker, Community Rehabilitation Worker and Case Manager

Monday, 21 November 2005

Parliament House, Canberra

Department of Employment and Workplace Relations

Mr Graham Carters, Deputy Secretary, Workforce Participation

Mr Barry Sandison, Group Manager, Working Age Policy Group

Mr Bruce Whittingham, Principal Adviser, Working Age Policy

Dr Alison Morehead, Assistant Secretary, Parent Policy Branch

Mr Matthew Amundsen, Principle Government Lawyer

Australian Council of Social Service

Mr Andrew Johnson, Director

Mr Peter Davidson, Senior Policy Officer

National Welfare Rights Network

Mr Michael Raper, Director

Ms Genevieve Bolton, National Liaison Officer

Ms Melissa Coad, Education Officer and Caseworker

Ms Jacqueline Finlay, Principal Solicitor

MS Australia

Mr Alan Blackwood, Manager Policy and Community Partnerships

MS Society of Victoria

Dr Wayne Sanderson, Community Services Manager,

MS Society of Queensland

Ms Sharon Eacott, Member

Catholic Welfare Australia

Mr Frank Quinlan, Executive Director

Mrs Jackie Brady, Manager, Policy & communications

Brotherhood of St Laurence & Anglicare Australia

Mr Paul Smyth, General Manager Social Action and Research

Mr Daniel Perkins, Research and Policy Project Manager

Ms Sue Leppert, Executive Director, Anglicare Australia

Women's Electoral Lobby Australia Inc

Ms Roslyn Dundas, Convenor, WEL ACT

Dr Gwen Gray, Member, WEL Australian National Policy Working Group

National Ethnic Disability Alliance (NEDA)

Ms Diana Qian, Executive Officer

National Employment Services Association (NESA)

Ms Sally Sinclair, Chief Executive Officer

Ms Annette Gill, Policy Advisor

Tuesday, 22 November 2005

Parliament House, Canberra

The Smith Family

Dr Rob Simons, National Manager Strategic Research & Social Policy

Job Futures

Ms Sheridan Dudley, Chief Executive

National Council of Single Mothers and their Children

Dr Elspeth McInnes, Convenor

Ms Jac Taylor, Executive Officer

St Vincent de Paul Society

Mr Anthony Dalton, Chairperson, National Social Justice Committee

Dr John Falzon, National Director, Social Policy

Mr John Wicks, National Social Justice Committee

ACROD

Dr Ken Baker, Chief Executive

Mr David Heckendorf**Ms Julia Perry****Australian Federation of Disability Organisations**

Ms Collette O'Neill, Senior Policy Officer

Ms Sue Salthouse, Secretary, Women with Disabilities Australia

People with Disability Australia Inc

Ms Heidi Forrest, President

Ms Alanna Clohesy, Deputy Director, Advocacy

National Council of Intellectual Disability

Mr Mark Pattison, Executive Director

Physical Disability Council of Australia Ltd (PDCA)

Ms Sue Egan, Executive Officer

National Foundation for Australian Women

Ms Marie Coleman, Chair, AWAP Management Committee

Wednesday, 23 November 2005

Parliament House, Canberra

Department of Family and Community Services

Mr Jeff Pople, Branch Manager, Child Care Policy

Ms Di White, Project Manager, Welfare to Work Implementation

Department of Employment and Workplace Relations

Mr Graham Carters, Deputy Secretary, Workforce Participation

Mr Barry Sandison, Acting Group Manager, Working Age Policy Group

Ms Alison Morehead, Assistant Secretary, Parent Policy Branch

UnitingCare Australia

Ms Lin Hatfield Dodds, National Director

Ms Jane Woodruff, Chief Executive Officer, UnitingCare, Burnside

Mr Terry Froggatt, Regional Manager

Jobs Australia

Mr David Thompson, Chief Executive Officer

Salvation Army Australia, Eastern Territory

Lieut.-Colonel John Staite, National Secretary

APPENDIX 3

Key Policy to be covered in Guidelines

Implementation of the Welfare to Work initiative will be supported through legislative amendments, included in the Employment and Workplace Relations Amendment (Welfare to Work and Other Measures) Bill 2005, and through consequential updates to the Guide to Social Security Law. The Department of Employment and Workplace Relations (DEWR) is currently drafting guidelines on the following topics for inclusion in the Guide to Social Security Law.

Parents

- Parenting Payment - 'Grandfathering' Arrangements
- Principal Carers - Participation Requirements
- Suitable Work for Principal Carers
- Exemptions for Principal Carers with Special Family Circumstances
- Principal Carer Parents - Reasonable Excuse for Non-compliance with Participation Requirements
- Extension of Advance Payments to Parenting Payment (Partnered) Recipients

People with a Disability

- Assessment of Work Capacity for Disability Support Pension, Newstart Allowance and Youth Allowance
- Changes to Disability Support Pension – Background
- Extended Return to Disability Support Pension Provision for workers from 1 July 2006
- Disability Support Pension Recipients aged 55 and over
- General Qualification for Disability Support Pension from 1 July 2006
- Qualification for Disability Support Pension during Employment from 1 July 2006
- Qualification for Disability Support Pension during Self Employment from 1 July 2006
- Qualification for Disability Support Pension during Study or Training Activity from 1 July 2006
- Supplementary Benefits & Employment Assistance for Disability Support Pension Recipients from 1 July 2006
- Qualification for the Higher Rate of Mobility Allowance
- Participation requirements for people with a partial capacity to work on Newstart and Youth Allowance

- Meaning of 15 hours per week in assessing eligibility for Disability Support Pension from 1 July 2006

Compliance

- Welfare to Work Compliance Framework
- 10% Debt Recovery Fee

Mature Age

- Increased Participation Requirements for New Start Allowance Recipients aged 50 and over – Background
- Participation Requirements for Newstart Allowance Recipients aged 50 and over
- Work for the Dole for Newstart Allowance Recipients aged 40 and over

Very Long Term Unemployed

- Full-time Work for the Dole for Very Long Term Unemployed Jobseekers

General

- Allowance Income Test Changes
- Employment Entry Payment
- Extension of the Income Maintenance Period
- Extension of the Seasonal Work Preclusion Period
- Pensioner Education Supplement
- Qualification for Pensioner Concession and Health Care Cards, Telephone Allowance and Pharmaceutical Allowance
- Qualification for Newstart Allowance
- RapidConnect – Impact on Newstart Allowance and Youth Allowance
- Youth Allowance Parental Means Test Exemption
- Youth Disability Supplement