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SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

**Reference: 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**

MONDAY, 21 NOVEMBER 2005

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SENATE
COMMUNITY AFFAIRS LEGISLATION COMMITTEE
Monday, 21 November 2005

Members: Senator Humphries (*Chair*), Senator Moore (*Deputy Chair*), Senators Adams, Barnett, Fielding and Polley

Participating members: Senators Abetz, Allison, Bartlett, Mark Bishop, Boswell, Bob Brown, George Campbell, Carr, Chapman, Colbeck, Coonan, Crossin, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Forshaw, Hogg, Hurley, Joyce, Lightfoot, Ludwig, Lundy, McEwen, McGauran, McLucas, Milne, Nettle, O'Brien, Parry, Payne, Robert Ray, Siewert, Watson, Webber and Wong

Senators in attendance: Senators Adams, Barnett, Bartlett, Humphries, Joyce, McLucas, Moore, Polley, Siewart and Wong

Terms of reference for the inquiry:

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

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Committee met at 9.03 am

AMUNDSEN, Mr Matthew John, Principal Government Lawyer, Legislation Section, Research, Evaluation and Legislation Group, Department of Employment and Workplace Relations

CARTERS, Mr Graham Patrick, Deputy Secretary, Workforce Participation, Department of Employment and Workplace Relations

MOREHEAD, Dr Alison, Assistant Secretary, Parent Policy Branch, Working Age Policy Group, Department of Employment and Workplace Relations

SANDISON, Mr Barry, Group Manager, Working Age Policy Group, Department of Employment and Workplace Relations

WHITTINGHAM, Mr Ralph Bruce, Principal Adviser, Working Age Policy, Department of Employment and Workplace Relations

CHAIR (Senator Humphries)—The Community Affairs Legislation Committee is taking evidence on 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. In that regard, I am happy to welcome officers of the Department of Employment and Workplace Relations to the table as our first witnesses for the day. Thank you for being here. Before we get under way, I might just remind witnesses generally that evidence given to the committee is protected by parliamentary privilege, and I remind you that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. As far as officers of this department are concerned, you will not be required to answer questions on the advice you may have given in the formulation of policy or to express a personal opinion on matters of policy. I think we will have a number of requests today for photographic or other footage of the proceedings to be taken. There being no objection, permission for this to occur is granted. Could I also remind people in the room to please switch their mobile telephones either off or on to silent mode.

I welcome representatives from the Department of Employment and Workplace Relations. We have in front of us the submission which the department has made, which is submission No. 47. We would obviously like to ask you questions about the submission but, before we do so, I invite you to make an initial presentation to the committee.

Mr Carters—We are in your hands. We are happy to run through and give a general overview or just take questions, whichever you prefer.

CHAIR—The committee obviously has looked at the legislation in the last few days and it has some idea of what is involved in it. Does anyone feel that a presentation on the content of the legislation would be necessary or appropriate? I do not see any indications that that is the case, so we might proceed straight to questions.

Senator MOORE—Are there any overheads?

CHAIR—I do not think there are any overheads today, Senator Moore, so we will have to forgo them. I will start by asking a few questions. There are a few matters in other submissions that I was interested in having the department's reaction to. The first thing I will seek clarification on is the number of people who are likely in, say, the first three-year period

of the legislation to be affected by the transition from a parenting payment or a disability support pension into a Newstart allowance. I have seen figures presented in response to a question on notice on the number of people who are likely to make that transition. Could you, for the record, just give us those figures today?

Mr Sandison—We are still going through the final clarification of numbers. However, in the first year, the figure for parenting payment singles is approximately 19,000. It is 50,000 in the second year and 77,000 in the third year. Then, for the partnered, the figures are approximately 10,000, 25,000 and 34,000. They are the same, because the changes were focused on the singles.

Senator WONG—Is that moving to work?

Mr Sandison—Moving across, not into work. These are the figures that are moving into the different payments. This is the transfer from each.

CHAIR—This is the transfer from parenting payment into Newstart, assuming nothing else changes.

Mr Sandison—Correct.

CHAIR—What about DSP?

Mr Carters—I am sorry, just on that: they are annual averages, which means that they are not cumulative; you do not just add those three figures together.

CHAIR—Yes, I understand that.

Mr Sandison—The figures for disability have stayed the same as in the previous answers to questions on notice.

CHAIR—What are they?

Mr Sandison—It is approximately 18,000 to 20,000 each year that will see a change. The numbers that will not make it on to disability support pension are normally we think about 20,000 and slightly fewer will move on to Newstart because some will move to other payments. The primary move will be that those who would have accessed DSP will move to Newstart, depending on their hours capacity, but some of those will move to youth allowance, parenting payments and other allowances.

CHAIR—So 18,000 to 20,000 a year, you said?

Mr Sandison—Yes. Sorry, that is excluding the transition group which, over about 14 months, is currently moving on to DSP under the existing rules. Then at some point they will be reviewed post 1 July, 2006, in a normal two-year cycle for the majority of them. They will then move across as well.

CHAIR—Why doesn't that figure grow each year as it does for the parenting payment figures?

Mr Sandison—Those are the individual year figures in terms of moving across. So we have not got the average figures. For the disability ones, we use the actual numbers that were being assessed each year, so there is a set number each year that move into the other payments.

CHAIR—Is it possible to provide comparable figures in both categories so that we have a total picture of what the cohort is likely to be like by the end of the first three years, for example?

Mr Carters—There was a question on notice that we responded to during Senate estimates. Basically the figures that we gave were 34,400 in 2006-07; 57,900 in 2007-08; and 75,700 in 2008-09.

CHAIR—This is DSP we are talking about?

Mr Carters—This is DSP and these are annual averages again.

CHAIR—Those figures are still fairly accurate as far as you are concerned?

Mr Carters—Yes.

CHAIR—These figures in both parenting payment and DSP are for those who will make the transition from entitlement to parenting payment or DSP into entitlement to Newstart. Presumably those are figures that do not take into account the number of people who are not likely to need Newstart because they have moved into employment. Is that the case? Is that net of those who have moved from parenting payment, say, to Newstart and then off into employment?

Mr Carters—Yes.

CHAIR—So it is a net figure after that deduction for employment?

Mr Carters—It is those who would have claimed the payments.

CHAIR—I am sorry?

Mr Carters—It is those people who would have claimed the parenting payment or the Newstart allowance instead of, for example, disability support pension.

CHAIR—But the question I am asking is: are we anticipating that there will be 75,000 people at the end of three years who would have previously been entitled to DSP or would notionally have been entitled to DSP who now will be receiving Newstart who would not have found employment at the level that would warrant them not receiving any Newstart allowance?

Mr Carters—Yes, that allows for people going off the payment.

Dr Morehead—If parents are working part-time, they do not usually come off the income support; they work part-time and they get part income support. They are still represented in the figures.

CHAIR—The final new figures for parenting payment were about 77,000 for PPS and 34,000 for PPP. Have you any idea how many people in that category are likely to be working part-time and receiving therefore a tapered effect, and how many will be receiving full Newstart because they have not got any employment? Any idea of that?

Dr Morehead—Obviously, with the impact of the Welfare to Work reforms we expect many more parents will be working than currently do. But if you are looking at current figures on PPS, you would expect around 33 per cent and 40 per cent depending on whether you are taking a point in time or a longer estimate. It is somewhere around that amount.

Mr Sandison—Likewise for the disability group, current participation rates are at a bit over 10 per cent in terms of declared earnings. Again the expectation would be with the assistance of the various employment services that that would increase. But again, like the parent group, given that they have partial capacity, we would not expect everybody to move off. It is about increasing the participation levels in the work force, not necessarily full exit from payment for everybody.

CHAIR—There were some comments in the ACOSS submission about the mechanism for dealing with people who might be eligible for temporary exemptions under the rules governing Newstart. The case has been made by ACOSS and by other bodies that the circumstances are quite complex that might confront a person in that position who might be seeking an exemption and that the best way of dealing with those situations is to legislate very clearly for it in the body of the act rather than to leave it to regulations made under it or even to discretions exercised by the department. Given the complexity of the circumstances that are facing so many different people who might be seeking such exemptions, are those sorts of legislative drafting issues capable of being overcome so you could legislate for this, or is it a matter that is only properly and appropriately dealt with in some less stringent way than by putting it into legislation?

Mr Carters—The legislation does cater to the key groups of people for whom an exemption may be required. For example, it makes it very clear that there will be automatic exemptions for parents who are active and registered foster parents, for parents who are home schooling or for parents who are facilitating distance education for their children. It makes it clear that exemptions are available for parents who have children with disabilities. It also makes it clear that exemptions are available for parents who are escaping domestic violence as part of the separation process. So there is a whole range of categories there which are actually in the legislation and there is also a catch-all for other circumstances. So what the guidelines are doing is clarifying exactly what that means. Certainly that level of clarification is not something that we would see as necessarily making sense to place into legislation.

CHAIR—I think homelessness has been referred to in discussion as a circumstance of somebody who may not be likely to be required to undertake active participation requirements or of a person with a mental illness. Why can't their cases be built into the legislation as well? That is the question I am asking.

Mr Carters—There is very significant variability in the conditions and circumstances of people who are homeless or people with mental illness. So to try and cover those appropriately in legislation, again, is something which the government has chosen not to do.

Senator WONG—I will start with the total number of people by 2008 who will be worse off under this package under the government's own modelling—that is, excluding those who move into work, as I understand the figures. By 2008 you have 77,000 parenting payments single, plus 34,000 parenting payment partnered. So that is 111,000 parents worse off by 2008. Is that correct?

Mr Carters—They are not worse off, because these are people who are not currently on payment.

Senator WONG—Let us not be semantic. These are people who would have been on the parenting payment but who will be put onto the dole instead. Is that correct?

Mr Carters—There will be a change of eligibility for payments which will impact on them, yes.

Senator WONG—Would it be correct to say that the 111,000 figure that you gave us were people who, under the current eligibility, would have been on parenting payment; under these changes they will be on Newstart?

Mr Carters—That is quite likely. We cannot guarantee that, obviously.

Senator WONG—These are model figures.

Mr Carters—Yes.

Senator WONG—So by 2008, 111,000 parents, and that excludes people who, under your modelling, would have moved into work.

Mr Carters—Completely off income support, yes, whereas the aim of the Welfare to Work largely is to have part-time requirements and part-time participation.

Senator WONG—But you are putting in place changes which actually make that more difficult because the marginal tax rate will be higher. That is another argument, I think. There will be 111,000 parents on to Newstart. Let us look at DSP. You said 20,000 per year. Does that mean 60,000 by 2008?

Mr Sandison—That is right.

Senator WONG—So 60,000 people will be on the dole or Newstart. If the eligibility had not been changed, these people would have been on DSP?

Mr Carters—Not necessarily all of them. The changes are not just the 15- to 30-hour rule; it is also the provision of services to assist them. So, if we had had that element alone, there still would have been changes. Under the provisions of the act now, we only take into account education and training. But with the proposed changes, it is also with the provision of specialist disability services. So others would still have moved over with the capacity to actually receive that two years of assistance.

Senator WONG—But these are net figures—excluding—so net of people moving into employment. Is that correct?

Mr Sandison—Yes.

Senator WONG—So the 60,000 people with a disability who will now be put on to Newstart by 2008. Is that correct?

Mr Sandison—Yes.

Senator WONG—So that is 171,000 or thereabouts—is that right—

Mr Sandison—Yes.

Senator WONG—who will be on the dole by 2008. As I understand it, the transition group of people on the disability support pension are people who are currently on it but who applied

from 11 May last year, entered the payment from the day after budget, and this group continues until 30 June next year. Is that correct?

Mr Sandison—Correct.

Senator WONG—The budget announcement was that the review would be every two to five years.

Mr Sandison—Correct.

Senator WONG—I heard you indicate that typically it would be every two years. So is it two or five or something in between? What is the policy decision by government?

Mr Carters—There is not a specific rule that says that everybody will be reviewed after two years. It depends on the circumstances of the individual. In some cases it does not make sense to review people at all. So it will be quite variable, depending on their circumstances.

Senator WONG—What does your modelling show for that cohort? How many people will be in that transition group? You must have a pretty good idea. We are in November 2005, almost halfway through the period.

Mr Carters—The intention is to start reviewing some of that group two years out.

Senator WONG—I am sorry, what I asked you was: how many do you think will be in the transition group by 30 June?

Mr Sandison—It will be a bit over 20,000. We would assume the same sort of proportion that is currently happening, so it is 18,000 to 20,000 per year now. We are dealing with a 13½-month period, so we would assume 22,000 to 23,000 as the upper level.

Senator WONG—So of the 22,000 have you modelled how many of those will move into work?

Mr Carters—We have not done a separate estimate for that particular group.

Senator WONG—Have you modelled how many of those will be moved on to Newstart?

Mr Carters—That is part of the total estimate that we have given before.

Senator WONG—I am sorry, I thought you said it was excluding the transition group when you gave the DSP figures.

Mr Sandison—The actual number, that figure of people moving across, is the figure that we would expect that would move over. Overall in a period of about 13½ months I think we have probably 120,000.

Senator WONG—Perhaps I am not making myself clear. Mr Sanderson, when you were answering questions from Senator Humphries, the figures you gave of around 20,000 a year between now and 2008 of people who would move from the DSP or people with a disability who would move on to the dole—60,000-odd by 2008, I think—I thought you indicated to him that that excluded the transition group.

Mr Sandison—Yes, that is right.

Senator WONG—Of the transition group, of that 22,000, how many of those people upon review have you modelled to move on to the dole?

Mr Sandison—The 20,000 to 23,000 is the transition group that we would expect to be in the 15- to 29-hour group. But just to clarify, the figures that Mr Carters gave you across the three years include the transition group.

Senator WONG—That does not make sense. How can you have the same number per year between now and 2008 when you are actually reviewing another 20,000-odd?

Mr Sandison—No, the total figure was 75,000-plus in the third year. So the three lots of 20,000 give you 60,000. I said it was a 18,000 to 20,000 grouping. So when you add in a 20,000 to 23,000 group per transition, that is about the 75,000 figure.

Senator WONG—So 15,000 of the transition group will be moved on to the dole.

Mr Sandison—Across those three lots of 20,000, I said 18,000 to 20,000. So we have taken a figure to answer this question from the previous estimates to find a middle point in there. So that is the three lots of 18,000 to 20,000 plus a 20,000 to 23,000 transition group gives a mid point of 75,500.

Senator WONG—So 20,000 to 23,000 of the transition group would move on to the dole. Is that what are you saying?

Mr Sandison—May be expected to. It is hard for that one because all the figures we have had on previous assessment processes were based on a point in time where they were assessed. This group will be spending another year on DSP, and we know that there are effects of the longer payment.

Senator WONG—What proportion of the transition group does that comprise?

Mr Sandison—The overall group that will get DSP from budget night through will probably be 75,000 to 80,000 people.

Senator WONG—So you are talking about just under a quarter who would go on to the dole.

Mr Sandison—Yes.

Senator WONG—By 2008.

Mr Sandison—Depending on the timing of their review.

Senator WONG—But in your modelling you have assumed it will be by 2008.

Mr Sandison—That most of those reviews will take place.

Senator WONG—So you are looking at 111,000 parents, around 60,000-odd DSP recipients plus around 23,000, was it, from the transition group?

Mr Sandison—Potentially. But the figures again are the ones that we answered before, the 75,500 total.

Senator WONG—I wondered whether we could have a couple of things before Wednesday. Mr Carters, I asked you for people with disability moving into work over the 2005-06 to 2008-09 period, which you provided in the budget estimates round. I want to know if there were any alterations to that. We were going to come back to it but I think in the time frame of estimates but we did not. It is page 143 of *Hansard* of 2 November. The other thing that I wonder whether we could have tomorrow, before Wednesday's hearing, is the

figures in relation to the changes to the classification of highly disadvantaged under the job seeker classification index. As you know, the government has made it more difficult for people to be classified as highly disadvantaged therefore getting more access to high levels of employment service under this legislation. I was told in a previous estimates round that you could get me figures as to how many people would be impacted by that change. The question on notice came back frankly not answering the question. I asked it again in budget estimates, and we would like it by Wednesday. Obviously for this committee to understand exactly how many people are impacted by that change would be of importance when assessing the legislation.

I go now to your submission. At page 15 of your submission you refer, in the boxed area at paragraph 2.2 under part-time participation requirement, to two categories. A parent would have to:

- Undertake at least 15 or more hours a week of paid work; OR

The second dot point—

- Job search for part-time work of 15 to 25 hours a week...

and—

... participate in employment services ... and undertake an annual Mutual Obligation activity.

Can I confirm, Mr Carters, that is going to be the 150 hours over 26 weeks?

Mr Carters—The mutual obligation activity component of that is the 150 hours over 26 weeks.

Senator WONG—So parents are in fact going to be asked to job search for up to 25 hours a week and do 150 hours over 26 weeks.

Mr Carters—No. They do not have to job search for up to 25 hours a week. They have to undertake job search to look for work which could be up to 25 hours.

Senator WONG—So job search for part-time work for up to 25 hours per week?

Mr Carters—Yes.

Senator WONG—Plus 150 hours over 26 weeks.

Mr Carters—Yes. Sorry, the job search requirements will basically be a number which will be certainly less than 10 per fortnight; it is likely to be about six job searches a fortnight will be what the requirement will generally be.

Senator WONG—That is one of the questions I want to ask: you are proposing to put in guidelines the number of hours for which someone would have to job search or the number of contacts someone would have to undertake?

Mr Carters—Yes.

Senator WONG—Why can we not have it in the legislation? So it is clear precisely how much job search parents will be required to undertake?

Mr Carters—It has also been clear in the guidelines.

Senator WONG—Yes, but the guidelines can be changed at the discretion of Dr Boxall, correct?

Mr Carters—The number of job searches will vary depending on individual circumstances as well. What we would be putting in would be a suggested maximum level.

Senator WONG—Who prepares the guidelines?

Mr Carters—We prepare the guidelines.

Senator WONG—Who signs off on them?

Mr Carters—The guidelines that you are referring to would be signed off by the secretary.

Senator WONG—The secretary and not even a minister.

Mr Carters—The minister would approve the guidelines.

Senator WONG—But there is no parliamentary approval, is there?

Mr Carters—It depends again whether they are guidelines or whether they are disallowable instruments et cetera.

Senator WONG—Is it proposed that the guidelines be disallowable instruments?

Mr Carters—Different components, based on what the legislation demonstrates, will be. This particular one will not be.

Senator WONG—So the number of appointments a parent has to go to will not be in a disallowable instrument; it will be entirely at the discretion of the departmental secretary?

Mr Carters—Yes, but the departmental secretary will make the call based on what ministers require.

Senator WONG—So entirely at the call of the minister but no scrutiny by the parliament?

Mr Carters—That decision will be the government's call.

Senator WONG—Going back to this job search for part-time work of 15 to 25 hours per week, if I am a parent on parenting payment who is subject to this regime and I am working 14 hours a week, do I have to job search for the additional hour?

Mr Carters—Yes.

Senator WONG—If it is 14½ hours do I have to job search for another half hour?

Mr Carters—Yes.

Senator WONG—So it is a hard and fast rule, even if I am working for 14 hours and 50 minutes, I will have to job search for 10 minutes.

Mr Carters—Yes. Fifteen hours is the requirement.

Senator WONG—With this 25 hours a week, if I am a parent and I am offered a job of 20 hours a week under this regime, will I have to accept it, subject to the job being assessed as suitable?

Mr Carters—Yes, if the job is assessed as suitable and that covers all conditions to do with child care, travel et cetera.

Dr Morehead—There are some qualifications to that however. If you are already on a higher paying job of fewer hours, then you do not have to accept a lower paying job of more

hours, if it is presented to you. If you do get told to accept a 20-hour a week job and then you subsequently find a job that is between 15 and 20 hours, you can change to that job.

Senator WONG—What if a parent is on a job of 14 hours a week, they are doing their hour's worth of job searching to make up the 15 hours and they get offered a job at 25 hours per week, provided it is suitable and provided the 25 hours pays more, they would be required to leave their current job and take the 25 hour job. Is that right?

Dr Morehead—If they could show that their 14 hour a week job was higher paying and that it varied week by week so that some weeks it did in fact reach those hours within a fortnight period—so if it was a casual job where the week's range within the fortnight did hit that limit—they would not have to. If it was a fixed job of that many hours per week that never varied, they would.

Senator WONG—But what I put to you was a lower paying job of 14 hours a week and then a job offer of higher paying suitable employment of 25 hours a week. The parent would have to take it?

Dr Morehead—Yes.

Senator WONG—Can you explain to me why the government is imposing a 25 hour a week part-time work obligation on parents when the budget announcement was 15?

Mr Carters—It is not completely clear cut that if they are doing 14 they would have to move to 25. It would really depend on individual circumstances. So I do not think we can categorically say that that would be the case.

Senator WONG—But we have excluded—I have tried to exclude in my question the variables, higher paying and suitable employment.

Mr Carters—Yes.

Senator WONG—The definition of suitable employment, which we will come to, does not make reference to award wages. But those are the two broad parameters, the variables, that you are talking about.

Mr Carters—But there may be mitigating circumstances such as that parent knowing that there is some alternative shorter number of hours available which they could pick up. So that would be in negotiation with the Job Network member.

Senator WONG—Sure, Mr Carters, but what you are saying is, all of those mitigating factors aside, the requirement still is that people have to take a 25-hour job offer.

Mr Carters—If they were going to sit on the 14 hours for a long period of time, yes, they would have to take a more suitable offer.

Senator WONG—Can we go back to my 14 hours a week plus the one hour job search requirement to get up to the 15-hour rigid rule? How many applications a week would that require? Is it actually one hour of job search per week or is it more than that to get the hour's work? What sort of requirement would be on parents in this situation or people with a disability potentially?

Mr Carters—That would be negotiable. The requirement would be very low.

Senator WONG—You are telling me that. What is the Senate supposed to do? It is not in the legislation.

Mr Carters—It will be in the guidelines.

Senator WONG—Which we will not see.

Mr Carters—They will be publicly available when they are developed.

Senator WONG—When they are developed. When will they be developed?

Mr Carters—They are starting to be developed from now. There are consultations being undertaken. They will be developed in time for the 1 July 2006 commencement.

Senator WONG—They certainly will not be in place before the Senate votes on this bill, will they?

Mr Carters—That is highly unlikely.

Senator WONG—So government is essentially asking the Senate to sign off on a bill in the hope that the guidelines will reflect the policy that you are indicating. I am not having a go at you, but are you not the minister, clearly.

Mr Carters—There are already very flexible arrangements which work for Newstart in terms of Job Search now. So I think that you could be assured that there will be flexible arrangements that work in the future for people on Newstart as well.

Senator WONG—Let us talk about that. The bill is proposing to repeal a section of the Social Security Act that actually puts some parameters around the secretary's discretion to direct what can or cannot be in participation agreements. Is that correct?

Mr Carters—Yes.

Senator WONG—Section 601(2) of the act currently sets out requirements. They include undertaking vocational training, participating in a labour market program, participating in a rehabilitation program and participating in another course which is likely to improve their prospects of obtaining suitable paid work or assist them in seeking suitable paid work. That is the existing position, isn't it?

Mr Carters—I have been advised that we do not rely on that part of the legislation to require people to do things. We do it through activity agreements. So in fact it really is not needed. We are focusing on having that requirement through activity agreements.

Senator WONG—Sure, but that section binds the discretion as to what can be included in agreements.

Mr Amundsen—It is section 606.

Senator WONG—Have you read Ms Julia Perry's submission?

Mr Amundsen—No, I have not.

Senator WONG—Or the Welfare Rights Network submission?

Mr Amundsen—Yes, I have read that.

Senator WONG—It referred to the concern that section 606 that you are referring to now has essentially an open-ended discretion in the secretary. Proposed section 63 of the bill

repeals section 606 and essentially inserts a provision that says that a Newstart activity agreement with a person is to require a person to undertake one or more activities that the secretary regards as suitable for that person. It is a very open-ended discretion. Would you agree with that?

Mr Amundsen—I thought you were previously referring to section 601(2).

Senator WONG—Which is being repealed.

Mr Amundsen—Yes.

Senator WONG—My point is this: given how open-ended the new discretion in the secretary is, what is to stop the secretary requiring that someone move house if he regards it as suitable?

Mr Carters—Clearly, the secretary would not regard that as suitable, unless that was government policy.

Senator WONG—This is about what the Senate has to pass. This proposed section 63 of the bill, page 119 of the legislation that the Senate has been given, says a Newstart activity agreement with a person is to require the person to undertake one or more activities that the secretary regards as suitable for the person. It does not refer to what criteria would be included in 'suitable'. It does not have a purposive element—that is, suitable for ensuring that they get more work or increasing their employability, increasing their skills. It is a very open-ended provision, which essentially relies on Dr Boxall's goodwill. What if we have somebody who does not have as much goodwill as Dr Boxall in the secretary's position?

Mr Amundsen—The existing provision currently has the same term in it.

Senator WONG—But you have the current 601(2), which I read out to you, which sets out some parameters for that.

Mr Amundsen—I think they are completely separate provisions. One of them is something where the secretary can unilaterally require someone to do something. The other is one that can go in an agreement.

Senator WONG—The agreement is what gives rise to potential breaches.

Mr Amundsen—Yes, that is right. But I am saying that—

Senator WONG—And you are removing—

Mr Amundsen—There is no connection between 601(2) and 606.

Senator WONG—But, with 601(2), you are removing the things that can be in an agreement. You are saying that there are a whole range of other things that do not have to be set out in the legislation that can be in an agreement.

Mr Amundsen—Certainly the current provision includes a broad discretion for any other activity.

Senator WONG—Any other activity.

Mr Amundsen—Yes.

Senator WONG—So what is to stop that provision we are referring to resulting in the secretary requiring someone to diet to improve their employability?

Mr Carters—What was just said was that that provision currently exists.

Senator WONG—I think Mr Amundsen conceded that there is a lot more discretion in the bill that is before us.

Mr Amundsen—I would like to consider that. I would not say that immediately.

Senator WONG—Under this section, what is to stop the secretary from requiring someone go on a diet?

Mr Carters—Again, it is not something that relates directly to job search, to employment. It is not something that would be required.

Senator WONG—Where in the section does the discretion of the secretary have to relate to job search or employability?

Mr Carters—There will be guidelines that will basically satisfy that requirement.

Senator WONG—But they are not before us.

Mr Carters—No, they are not.

Senator WONG—Is there anything in the legislation that would prevent the secretary giving a direction that someone should be on a certain regime of medication?

Mr Carters—Again, the guidelines would make it clear that there are certainly very sensible limits to what can be required.

Senator WONG—But nothing in the act.

Mr Carters—The legislation is quite flexible in what can go in an agreement. It is intentionally flexible because it is not necessarily optimal to have limits, which may be to the detriment of a job seeker; equally with the examples that you have given.

Senator WONG—But are you telling me that there is nothing in the act which stops the secretary from directing people to move house for the dole, diet for the dole or medicate for the dole?

Mr Carters—Basically, it would need to be something that was consistent with the purpose of the social security legislation. We would see some of what you are suggesting as not being consistent with the purposes of the social security legislation.

Senator WONG—I am glad you say that, but where in the bill before the Senate is this set out? What you are including is a very wide discretion in section 606.

Mr Carters—It does not necessarily have to be in the legislation to be consistent with what the intent of the social security legislation is.

Senator WONG—So is this a ‘trust me’ approach to discretions?

Mr Carters—It is a guidelines approach to discretions.

Senator MOORE—Mr Carters, can you just remind me, because it has been a while, what the status of a guideline is? We have talked about the guidelines. They are going to be written

and we are waiting for them. What kind of legal status—and Mr Amundsen might want to jump in on this one—does a guideline have in terms of hanging a decision on a guideline?

Mr Amundsen—Certainly, they have some legal relevance. But, if the legislation is clear on its face and obviously a guideline is inconsistent with it, it would not be consistent with the legislation. But tribunals et cetera certainly take the guidelines into account and they refer to them regularly in reaching their decisions.

Senator MOORE—So they refer to them.

Mr Amundsen—Yes.

Senator MOORE—My understanding is that they are still a guideline.

Mr Amundsen—In assisting themselves in interpreting the legislation, they regularly refer to the guidelines.

Senator MOORE—As they do now.

Mr Amundsen—Yes.

Senator WONG—Which objectives in the Social Security Act are you referring to when you speak about those that are supposed to give me, parents and people with a disability some comfort in relation to the guidelines?

Mr Amundsen—The legislation does not spell out the purposes of the legislation, so it would be an interpretive role, I think.

Senator WONG—So you are telling me that the discretion to direct people to do various activities is bounded by your interpretation of the legislation and is not set out anywhere in the legislation.

Mr Amundsen—Not specifically, and I do not know whether it would be just our interpretation.

Senator WONG—Would it be the government's? Whose interpretation would it be? Dr Boxall's or the minister's or the department's?

Mr Carters—It would be the interpretation of the government, which would be implemented by the department. Obviously, there is always a comeback from other organisations or other parties if there are concerns with what is being proposed.

Senator WONG—Regarding the child-care guarantee, page 17 of your submission suggests that where there is suitable work you would have regard to appropriate care and supervision of the child. Is that also an issue in the guidelines and not in the legislation?

Dr Morehead—Appropriate child care is defined within the meaning of the Family Assistance Administration Act. It is basically one that can attract child-care benefit.

Senator WONG—I understand that. I am asking something else. This is ameliorating the requirement to take work. This is supposedly the Prime Minister's guarantee that you will not have to take work if you do not have sufficient child care, essentially. Where in the act or the bill before us is this set out?

Dr Morehead—If you have the book, it is on page 43 at 502(4)(c).

Senator WONG—This refers to the principal carer.

Dr Morehead—And (5) down the bottom there, on page 44.

Senator WONG—So this refers to the principal carer requirement, which is a new concept that has been introduced into the legislation. Do you envisage there would be people who are on parenting payment but who may not meet the principal carer requirement?

Dr Morehead—If you are on parenting payment, you are a principal carer because there can only be one parent on parenting payment. So it relates to the dependency of the child.

Senator WONG—This is what I am a bit confused about. If they are conterminous, if you are definitely a principal carer on a parenting payment, why do you need to introduce into the safeguard the concept of principal carer?

Dr Morehead—Because when you are on Newstart allowance you will be identified as the principal carer.

Senator WONG—What proportion of the care do you have to have to be principal carer?

Dr Morehead—Fifty per cent or more.

Senator WONG—Say there is a man who has lost his job and is on Newstart and has care of his children 45 per cent of the time, and his ex-partner is working and is not on Newstart and has care 55 per cent of the time, would the man have access to the child-care guarantee or not?

Dr Morehead—No, but he would get the with-child rate of Newstart.

Senator WONG—There are two issues. One is money and one is whether or not he would have his payments suspended for not taking work because he did not have child care.

Dr Morehead—He would be under full-time participation requirements as a Newstart job seeker.

Senator WONG—So he does not get, with 45 per cent of the shared care, access to the child-care guarantee.

Dr Morehead—No, because he is not the principal carer. It is the person with the most day-to-day care of the child.

Senator WONG—So if he says, ‘Look, I can’t get child care; this job means I can’t see my kids for the 45 per cent of the time that I have to look after them,’ would the legislation provide him with any protection?

Dr Morehead—Yes.

Senator WONG—How?

Dr Morehead—Under what constitutes suitable work for a normal job seeker on Newstart—that is, a non-principal carer—it could come underneath there.

Senator WONG—Could.

Dr Morehead—Yes.

Senator WONG—The reason it is in the legislation is because that is a discretion and therefore, because of what the Prime Minister has announced, you have put in the legislation a

safeguard in relation to principal carer. What you are saying to me now is that someone who has their children 45 per cent of the time cannot rely on the safeguard in the legislation; they have to rely on the general discretion.

Dr Morehead—Which is already there and nothing has changed. If you are a father, for example, with 45 per cent care of your child on Newstart, these reforms do not affect you in the instance of child care.

Senator WONG—Yes, a lot has changed, because you may well be on Newstart as opposed to parenting payment.

Dr Morehead—If you are a principal carer, yes. But if you are a father with 45 per cent care of your child on Newstart, things do not change for you.

Senator WONG—Except that you do not get access to the guarantee and the safeguards that the Prime Minister announced and which are in the legislation for someone who has their child 50 per cent or more of the time.

Dr Morehead—Because they are for principal carers to—

Senator WONG—I understand the argument; I am just clarifying that is for 50 per cent or more.

Dr Morehead—That is right.

Senator WONG—So if the father has 49 per cent, he still would have to take a job subject to the other discretionary issues you raise.

Dr Morehead—Yes.

Senator WONG—But he would not be protected by the child-care safeguard in the legislation.

Dr Morehead—Yes. It is as is. It is as it currently is.

Senator WONG—Can we just go to some of the other exemptions. There are three automatic exemptions: active registered foster carer, someone providing home schooling and a parent facilitating distance education. Is that correct?

Dr Morehead—Yes.

Senator WONG—Let us go first to domestic violence. To get an exemption for domestic violence—say you have been subject to domestic violence, therefore your work capacity is diminished—you have to meet all three of the following. Tell me if I am correct on this. You have to have ceased to have been a member of the couple within 26 weeks of the determination and have not become a member of the couple and have been subject to domestic violence within that same period of 26 weeks.

Dr Morehead—That is correct, and that is lifted from the current legislation.

Senator WONG—What that means is, if a woman is a victim of domestic violence prior to the six-month period, she does not get an exemption under this provision.

Dr Morehead—Unless she is experiencing high levels of stress surrounding separation, which is another possibility for getting an exemption.

Senator WONG—Possibility; so that is a discretionary issue.

Dr Morehead—Yes.

Senator WONG—Where is the domestic violence exemption going to be? Is that in the guidelines or is that in the legislation?

Dr Morehead—It is in the legislation.

Senator WONG—Can you take me to that section?

Dr Morehead—Yes. It is on page 47, which is 502C, domestic violence et cetera.

Senator WONG—A victim of violence in that situation will only be given a 16-week exemption.

Dr Morehead—At a time. At the end of the 16 weeks it will be reviewed.

Senator WONG—Does a person who is a home schooler or facilitating distance education have to apply every four months?

Dr Morehead—They might have to. It is up to 52 weeks, their exemption.

Senator WONG—But domestic violence is only up to 16 weeks.

Dr Morehead—Yes.

Senator WONG—Would the victim of domestic violence lose access to this exemption if, because of a lapse of judgment, she is returned to the violent situation for a couple of days within the six months and therefore did meet the third criterion?

Dr Morehead—It depends on what you mean by ‘returns to the situation’. It would come under the definition of whether or not for those few days she was considered a couple under the Social Security Act.

Senator WONG—And if she were?

Dr Morehead—Yes. Then it would start all over again actually.

Senator WONG—So she would have to have another six months in which she was the subject of violence before she could apply for an exemption.

Dr Morehead—She would then spark off another 16-week period.

Senator WONG—But she has to show in the last 26 weeks that she has been the subject of violence.

Dr Morehead—That would be the minute before she applied for the exemption she was subject to domestic violence.

Senator WONG—I am asking: if she goes back and becomes a member of a couple again for say two days or a week, whatever situation enables that, does that disentitle her to this exemption?

Dr Morehead—If it is not involving domestic violence. I thought you meant when through a lapse of judgment she returned to a violent situation.

Senator WONG—No. She has been subject to domestic violence within the six-month period but during the same six-month period she has gone back for a week and become a member of a couple. Does she get access to the exemption or not?

Dr Morehead—If there is domestic violence when she goes back to being a member of that couple, yes.

Senator WONG—No, not in that time frame. Say the violence precedes that, she goes back for a week and then decides that it is not going to work and leaves.

Dr Morehead—If that then cut her out of the six-month period. It would depend when the initial violence occurred that she was stating the period was.

Senator WONG—What I am confused about in your answers is that I understood the exemption to have a three-prong requirement. You have to cease to be a member of a couple and not again become a member of the couple in the six-month period and be subject to domestic violence in that same period of six months.

Dr Morehead—Yes.

Senator WONG—I am saying that you need one but not the second?

Dr Morehead—If you again become a member of a couple then the exemption period ends and you would need to retrigger the exemption period if you lapsed being a couple.

Senator WONG—So you would not get access to the exemption.

Dr Morehead—Not within the time you are a member of a couple. Because you are a member of the couple, you do not fit the exemption rules. But if you ceased being a member of that couple again then you would seek to retrigger the exemption and say, 'I have been subject to domestic violence within the last six months.'

Senator McLUCAS—Only if an event occurred within that period though.

Dr Morehead—Yes.

Senator McLUCAS—Only if something happens within that time.

Mr Carters—But that is exactly the same if it happened originally as well. In any case, at the point of separation you look back six months to see whether domestic violence has occurred within the previous six months. Whether that is after they have come together again and separated again or whether it is the first time around, you always look back six months.

Senator WONG—Is the exemption only for people suffering domestic violence or victims of domestic violence only from participation requirements?

Dr Morehead—Yes.

Senator WONG—They are not exempt from the income cut?

Mr Sandison—There is no—

Dr Morehead—There is no change to your allowance because you are subject to domestic violence.

Senator WONG—Can you explain to me why the government thinks a person who cannot work because they are a victim of domestic violence should still be put on to the dole and not be retained on parenting payment?

Dr Morehead—As you have just highlighted, a lot of variations occur to someone who is subject to domestic violence. We have specified here a period of 16 weeks that the exemption is for. It is a relatively short period.

Senator WONG—Why is it that home educators and distance educators have up to a year's exemption not only from participation requirements but are given a top-up payment?

Dr Morehead—There are really three reasons. One is in recognition of the significant and ongoing tasks that are involved with home schooling, distance education and foster caring that are considered by the community to be valuable. The second reason is the length of time that you have to commit for when you sign up for one of those things. You need a longer period of commitment to make yourself available to continue with those tasks. The third reason is the additional costs that can occur with doing one of those three tasks.

Senator WONG—Can you explain to me why some tasks or some difficulties are considered by the government to be more important than others? Why is it that a victim of domestic violence, even if she or he establishes that they are a victim, does not get access to the top-up payment even if they have very little capacity to work and only have a four-month exemption, whereas there are other exemptions which are up to 52 weeks and people get a top-up? Why is the government not protecting victims of domestic violence in this regime?

Mr Carters—That is government policy. We cannot answer that.

Senator McLUCAS—I will just pick up on the question of foster carers. You maybe aware that last Thursday we took evidence from the Australian Foster Care Association. I dare say you have seen their submission. In that submission, they express concern that foster carers will move to a top-up type payment that equates in a financial sense to the parenting payment single, but they will remain on Newstart. These are single parents who are registered foster carers. They say their concern is that they move from a tax-free pension base to a taxable payment base. Is that a founded concern?

Mr Carters—Parenting payment single is taxable.

Senator McLUCAS—So that is incorrect. Their concern is incorrect.

Mr Carters—That is correct.

Senator WONG—It is a lower rate of tax. The effective marginal tax rate is lower on parenting payment than on Newstart. You concede that, Mr Carters; you have the NATSEM report.

Mr Carters—Yes. Somebody on parenting payment single is on a lower taper rate than somebody on Newstart.

Mr Sandison—But the primary focus was the length of the exemption as well. So the exemption was basically taking into account that for many people they actually would not be looking for work. The exemption with the top-up was to put them back on the same rate or the same amount of money. But if they are getting an exemption, the argument I believe put

forward was that they will be fully occupied with their care or their arrangement. So, in terms of the different tax rates and so on, I have no doubt some would be working, but for the majority it was an exemption tide with a top-up payment.

Senator WONG—For those who would be working, the new regime will mean the taxpayer paying out the same amount in dollar payment for the payment, Newstart plus the top-up, but the recipient paying more back to the government for every dollar they earn.

Mr Carters—Just because somebody is exempt does not mean that they do not have access to the substantial amounts of assistance which are part of this package as well.

Senator WONG—But that was not my question. My question was: if you look at the NATSEM report and I think you cannot not concede that you did not disagree with the central tenet of the modelling. You have a higher effective marginal tax rate, higher withdrawal rate. You keep less of every dollar you earn on the Newstart payments. My point is this: for those people who are exempt for the policy reasons that Mr Sandison outlined, the taxpayer is paying them the same amount, but they will be subject to a higher tax rate for every dollar they earn than the payment they are currently on.

Mr Carters—For those who are working, yes, that is likely to be the case. The point that I was making was that, with the substantial increase in assistance which will be available, the propensity for people to be working is increased.

Senator McLUCAS—The other issue that the Foster Carers Association raised with the committee was access to the Commonwealth health care card. There seems to be some confusion about whether those single parents who are foster carers will have access to those cards. Can you explain what the position is?

Mr Carters—They keep the pensioner concession card, so it is no different whether they are on parenting payment single or whether they are on the Newstart higher rate.

Senator McLUCAS—So it is the pensioner concession card as opposed to Commonwealth health care card.

Mr Carters—The pensioner concession card I think is what you are referring to. That covers the health care as well.

Senator McLUCAS—How does that occur? They are now not pensioners, so how do those people get—

Mr Carters—It was just one part of the government's decision that parents who satisfied those particular circumstances would retain the pensioner concession card or would be entitled to a pensioner concession card.

Senator McLUCAS—How will that happen in the legislation? I am just not clear. Is that in the legislation?

Mr Sandison—It covers all the people with a partial capacity. So the decision of government was that the parents and the people with disability would be identified, would be moved to Newstart and they would maintain access to the card.

Senator McLUCAS—And the trigger is the registration of the foster carer.

Mr Sandison—No. They would be a person with a partial capacity identified when they apply for Newstart because we have people who have full-time capacity and then there will be those that have the partial capacity/availability. So it is part of that process of applying.

Mr Carters—In terms of your question about the legislation, it is covered on page 184, under concession cards.

Senator MOORE—So this is just a new group. In terms of the determination at Centrelink, this will be another group with another entitlement, with all the boxes for people who have different access. This particular group will be on Newstart but they will have access through that legislation to the pensioner card.

Mr Carters—That is correct.

Senator MOORE—Are they the only ones? They are the only people on Newstart that have access to this particular card?

Mr Carters—No. Anyone with a partial capacity to work, so people with disabilities as well would also have access to it.

Senator MOORE—So it is just the people affected by this legislation. This is an entirely new group.

Mr Carters—Yes, it is those with partial capacity.

Senator WONG—Does the child-care safeguard—I am not sure whether we call it that; I do not know what your phrase for it is—apply also to the annual mutual obligation activity cumulative on the part-time work search?

Dr Morehead—Yes.

Senator WONG—So it applies to the 150 hours as well.

Dr Morehead—Yes. It is assumed that those hours would be undertaken within school hours wherever possible.

Senator WONG—That is not my question. Not having to do something because someone has not got care, and you have said that that applies to the part-time work search. Does it also apply to the 150 hours over six months?

Mr Carters—Yes, it does apply to the mutual obligation requirement.

Senator WONG—Just to clarify. The change that was announced by the minister of people staying on parenting payment until the child was eight, the new recipients—just to clarify the part-time work requirement will cut in at six. The only change is that they have two more years on the parenting payment, but the obligation part still cuts in at six.

Mr Carters—That is correct. For the new people it cuts in at six.

Senator WONG—Why was it shifted to eight?

Mr Carters—That is a government policy decision.

Senator WONG—I am sure we can do a bit more on this on Wednesday. You refer in your submission to other countries' experiences et cetera, and I will leave the argument about what

Denmark provides in terms of child-care assistance and all those things to another time, but have you done any research on what the participation benefit of cutting people's incomes is?

Mr Carters—Again basically we do not look at a particular subcomponent; we look at the totality of the assistance which is being provided. Certainly it suggests that the combination of the assistance together with obligations is what—

Senator WONG—Assistance and obligations is one thing.

Mr Carters—Yes.

Senator WONG—Cutting payments and putting people on to a lower payment is another. I asked a very specific question: has the government undertaken any research as to whether there is any participation benefit from putting people on to a lower payment?

Mr Carters—We will need to look at that. I am not sure offhand.

Senator WONG—You do not know.

Mr Carters—I cannot recall whether there has or has not been.

Senator WONG—There was some announcement about including in the suitable work a requirement that I think you cannot spend more than 10 per cent of your income on travel costs. Is that in the legislation?

Mr Sandison—It was 10 per cent of the gross wage.

Senator WONG—Is that in the legislation or is that also to be in guidelines?

Dr Morehead—It is in the guidelines.

Mr Sandison—In the guidelines.

Senator WONG—The ones that we have not seen.

Mr Sandison—That is correct.

Senator WONG—Can I just clarify this as well: one of the things that has been changed in the suitable work provision in the act is that you have removed the reference to award wages and the reference is only to the Australian Fair Pay Commission standard, which is the minimum wage plus the four conditions. AFDO suggests that the definition of incapacity to work and the new term 'partial incapacity' contained in the bill still refers to award wages. Can you explain to me whether that is the case? It is removed in one section but not removed in others, so how will that work?

Mr Carters—Again, it is up to the government to make a call on what happens with the legislation. But certainly there is always the prospect of consequential amendments being applied if other legislation is passed.

Senator WONG—If the industrial relations legislation is passed, is what you are flagging the possibility of the incapacity to work referring to non-award wages—that is, the minimum wage and the four minimum conditions?

Mr Carters—I am flagging that that is an option open for government, yes.

Senator WONG—What is and where is this defined: lower award from work for child-care purposes—in other words, where the costs of child care mean that you have little or

low reward from work? As I recall the Prime Minister's statement, that was one of the issues he referred to.

Dr Morehead—It is in the explanatory memorandum on page 41.

Senator WONG—I want to know where it is in the legislation.

Mr Carters—It is not specific in the legislation.

Senator WONG—It is not in the legislation?

Mr Carters—No.

Senator WONG—So there is nothing in the legislation which defines low reward from work after the costs of child care were taken out, which is the Prime Minister's guarantee.

Mr Carters—The fact that it is mentioned in the explanatory memorandum has significant bearing in terms of interpretation.

Senator WONG—Which provision of the legislation does the EM refer to?

Dr Morehead—It is 501(5)(a). It is on page 38 and page 39. The reference that would be relevant in the legislation is 501A (7)(g) on page 39.

Senator WONG—'The financial costs of compliance with the agreement such as travel costs and the capacity to pay for such compliance.' Is that what you are referring to?

Dr Morehead—Yes. The example there is 'such as travel costs'.

Senator WONG—Where is protection in the legislation that says that, if the financial costs of child care mean that the reward from work is low, that is not to be regarded as suitable work? Where is that guarantee set out in the act?

Mr Sandison—It is not covered in the legislation. It is in the explanatory memorandum.

Senator WONG—With respect, the explanatory memorandum, as you know, may be of assistance only in interpretation. It does not endow substantive rights.

Mr Carters—That will be covered off again in the guidelines. It is clear in the legislation that financial costs are a factor. The guidelines will talk about what sorts of costs and limitations.

Senator WONG—How much worth can we assign to the Prime Minister's guarantee that parents will not be required to take a job if the costs of child-care mean that the reward is too low when you are not even putting it in the legislation? Doesn't that just mean that the Prime Minister's guarantee is worthless? You are simply saying to us, 'Trust us, we think it will be in the guidelines.'

Dr Morehead—It is in the explanatory memorandum on page 41, if you would like me to read it out.

Senator WONG—I have read the EM, although I have to say I read it very quickly. But the explanatory memorandum does not give people any rights.

Dr Morehead—I will just read it out:

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.

So it is directly linked to what constitutes appropriate child care.

Senator WONG—Again what you are telling me is that the Prime Minister’s guarantee is at the discretion of the secretary. There is nothing in the legislation which confirms the Prime Minister’s guarantee.

Mr Carters—There is a guarantee in the legislation that the financial costs of compliance with the agreement will be taken into account.

Senator WONG—That is a very different thing. That is a discretion. That is a very different thing to saying, ‘Parents will not be required to take jobs where the cost of child care means that the financial return from working is low.’

Mr Carters—Again, it will be covered in the guidelines.

Senator BARTLETT—Could I clarify something to do with all the various participation requirement exemptions. There are three automatic exemptions, with foster carers, home schooling et cetera. Those automatic ones also mean a higher rate of allowance being paid. Is that right?

Mr Carters—That is correct.

Senator BARTLETT—Do all the temporary exemptions also involve a higher rate of allowance or do just some of them or do none of them?

Mr Carters—No, they do not. Only those three have the higher rate of allowance.

Senator BARTLETT—So they are just an exemption from the participation requirements.

Mr Carters—That is correct.

Senator BARTLETT—At the very start of your submission outlining the case for change, you said that in September this year 19 per cent of working age Australians were receiving an income support payment. Does that definition of income support payment include family type payments or is that just pensions and allowances?

Mr Carters—No. It is the primary income support payment. So it is things like Newstart and parenting payment and disability support pension. They are the big three.

Senator BARTLETT—Do you know the average—the mean and the median—length of time that people are on parenting payment single? Can you provide that?

Mr Whittingham—I think there is some research suggesting that the average duration on income support, rather than parenting payment single per se, is around 12 years.

Senator BARTLETT—Are you able to get it for the parenting payment single? The mean and the median would be handy.

Mr Whittingham—We will see what we can do.

Senator BARTLETT—I want to ask—and I think it goes to some of the questions Senator Wong was asking—about this requirement for people to accept a job of less than 15 hours and then continue to look for further work. Given the higher taper rate or higher effective marginal tax rate that people will be subjected to, is there any exemption from that just with regard to circumstances where people may in effect basically be worse off financially once you take

into account effective marginal tax rates, travel costs and possible child care and those sorts of things?

Mr Carters—Whether people are financially worse off or not is something that will be taken into account.

Senator BARTLETT—What is the mechanism for taking it into account? Is it part of the discretionary arrangement that you were referring to with regard to child care and the like?

Mr Carters—It is something that essentially we have just discussed, and it will be in guidelines, but it is also supported in legislation to say that financial costs will need to be taken into account. The explanatory memorandum explicitly also mentions child-care costs.

Senator BARTLETT—Who makes that decision?

Mr Carters—That decision will be taken by Centrelink.

Senator BARTLETT—When it comes to activity test breaches, can you detail for me how that process now works. The final decision about whether or not there is a breach is still taken by Centrelink, but notification of potential breach may come from an employment provider. Is that roughly correct?

Mr Carters—Yes. If, for example, somebody fails to attend an employment service provider interview, that employment service provider is obliged to make at least two attempts to contact that person. If they are unable to contact the person, they can choose to submit a participation report to Centrelink. Centrelink would then make their own attempts to contact the person to ascertain the reasons for not attending the interview. Again, they would be obliged to make at least two attempts.

If that fails, then contact at least through a letter would go to that individual requiring them to attend a fortnightly face-to-face interview to submit their fortnightly income statement form, which is called an SU19. That is the form that people have to submit to get their fortnightly payments. At that stage, Centrelink would undertake a face-to-face discussion with that individual to ascertain the reasons for their failure to attend. Regardless of whether they did or did not have a sufficient reason—a reasonable excuse, in other words—the payment would still be made for that fortnight and Centrelink would rapidly connect that person to another interview with that same employment services provider. It would be up to the job seeker to attend that interview; otherwise, essentially, without reasonable excuse, they would not get another payment until they attended the interview. That is a summary of it.

Senator BARTLETT—A shorthand version.

Mr Carters—Yes.

Senator BARTLETT—Can I also just clarify the way the savings provision or grandfathering works in this legislation? If somebody is currently on, for example, a disability support pension and they try to enter the work force again for a period of time such that their pension is cancelled and then that does not work and they go back, do they then come under the new requirements?

Mr Carters—Somebody who is currently on DSP under the changes will be guaranteed a right of return to DSP within two years if for any reason the work does not work out. In other

words, what that means is it does give them the opportunity to try work with basically a guaranteed right of return.

Senator BARTLETT—Is that two years from the start of legislation or just a two-year break?

Mr Carters—It is two years from when they leave DSP and go into the employment.

Senator BARTLETT—I will ask another question about temporary exemptions. You have listed a number of circumstances where a temporary exemption will be considered. They include parents with large families of four or more dependent children. That is not automatic, I assume, or it is not, I guess, by definition and it can only be for 12 months but it is renewable. How will that work? Will a caseworker or somebody assess the caring requirements of each individual family that has four children and get a sense of whether it is not feasible for them to undertake the job search requirements and they will just make that reassessment every 12 months?

Mr Carters—Essentially, yes, again that decision will be taken by Centrelink based on the family circumstances. Obviously, the four children will be a significant component of that, but other factors can be considered as well.

Senator BARTLETT—What type of officer would do that type of assessment? Would that be someone like a social worker?

Mr Carters—That detail has not been worked through yet. Obviously, Centrelink have their views about that as well.

Senator BARTLETT—Have you done some sort of preliminary assessment of just how many staff hours will be spent in all of these areas? There are many areas of temporary exemptions and some of them are continuous such as caring for a frail adult parent, someone with episodic illness or for a child with a disability and those sorts of things. Having to review those every 12 months seems like an awful lot of work. Has an assessment been made of whether that will require extra staff or extra funding in some respect or other?

Mr Carters—Yes, Centrelink will be funded to undertake all those reviews. They will receive additional funding where that is needed, and have certainly been provided with that through the budget process.

Senator BARTLETT—How much is the additional funding for that?

Mr Carters—I do not know how much that component of it relates to the additional funding for Centrelink. The negotiations on the funding were undertaken between Centrelink and the Department of Finance and Administration.

Senator BARTLETT—Is that figure, or an estimate of it, able to be provided?

Mr Carters—We can ask Centrelink that. Obviously it is their costing.

Senator BARTLETT—Thank you. I appreciate that. Is there any link between the lower payment rates that a range of people will be on in the future and the expectation or the incentive that that will encourage people to get work? I can understand how the obligation to search for work might push people to get work, but is there some research or some other rationale that suggests that paying people less will also encourage them into work?

Mr Carters—Again, Senator, that is a question that Senator Wong raised with us. We will take that on notice and get back to you. I cannot recall exactly where the link between the lower benefit rate and the other forms of assistance applies and where it does not.

Senator SIEWERT—If somebody under the existing system has a child that is still under eight and they get a full-time job, they essentially drop out of the system for a while. But if they lose that job and come back in, do they come back in under this new process or are they still regarded as a client on the books?

Mr Carters—It depends how long they go off the system for. If it is more than 12 weeks they would be deemed to be a new applicant when they come back on or come to reapply.

Senator SIEWERT—So they would then need to meet all those requirements when they start as well?

Mr Carters—If they lost their job and if it was more than 12 weeks duration they would make a claim for parenting payment single, if their youngest child was, say, five. When that youngest child turned six they would have to look for work, and when the youngest turned eight they would go on to the Newstart payment.

Senator SIEWERT—I know that you provided the figures for the number of people who will come under this new system, but do you have the figures for the people who will not have their payments cut for the three categories?

Mr Carters—We will need to take that on notice. We do not have anything here, but we will see what we can provide for Wednesday.

Senator SIEWERT—I was also particularly interested in following up the question that Senator Wong answered and Senator Bartlett asked about—the impact of lowering income support and how that is going to encourage people back into the work force. Are we able to have any information by Wednesday?

Mr Carters—Again, we will do our best, Senator.

Senator SIEWERT—Can I go on to the issue of the 15 hours and how it relates to higher wages. My reading of the information that you have provided is that if you were on a higher salary you did not have to complete your 15 hours. Have I misunderstood your submission?

Dr Morehead—You would still have to be continuing to search for work up to 15 hours, but you would not have to drop that job and take one that was over 15 hours but resulted in less income.

Senator SIEWERT—If I have a job for 14.5 hours, even if it is higher paying, I would still have to look for the additional half-hour?

Mr Carters—Yes, unless that is enough to take you completely off your income support payment.

Senator SIEWERT—There was some discussion about having different compliance requirements for regional areas. How is that being worked out? Does it still apply? I could not find it in your submission.

Mr Carters—The compliance framework is there to decide whether people had a reasonable excuse for not, say, accepting a job or for not turning up to an interview with an

employment services provider. The circumstances through which people failed to do that would be taken into account in deciding whether to deem a participation failure in that respect. If there are regional circumstances which prevented the person from attending the interview or taking up the job they would be taken into account.

Senator SIEWERT—That is in that individual compliance area. There is not going to be a blanket approach to making a different system for people in regional areas because of circumstances in regional areas?

Mr Carters—Government policy can change at any time. Certainly, at the moment that is not something that is covered here.

Senator SIEWERT—I want to now look at the issues of Austudy, single parents on Austudy and some of the concessions that they are and are not getting. For a start, why are people on Austudy payments not going to get concession cards, telephone allowance and pharmaceutical allowance? Why are some people getting it and some people not? This is for single parents on full-time study.

Mr Carters—We do not have responsibility for Austudy. It is the Department of Education, Science and Training.

Senator SIEWERT—I will follow that up later, then. I also want to pick up on an issue that Senator Bartlett raised about a particular situation with teenage children. You say that if a parent considers there is no appropriate care for teenage children, the parent is not expected to accept an offer of employment. Who decides that? Does that go back to Centrelink?

Mr Carters—Ultimately, it goes to Centrelink but the intention is that the parent would need to be able to deem that care is suitable and appropriate.

Senator SIEWERT—And Centrelink make the call on whether they think it is appropriate?

Mr Carters—That is correct; Centrelink make a final call.

Senator MOORE—Would what constitutes suitability in that case, particularly looking at regional circumstances, be in the guidelines? The determining factor of someone making the decision seems to be going back consistently, as one would expect, to Centrelink. They will be the decision making focus of people's eligibility or not for different things. Senator Siewert has raised a particular point—teenage children have come up consistently in discussion—about what constitutes suitable care. I know that what constitutes suitable care under the Child Care Act is listed in the legislation, but in terms of making an argument about what constitutes appropriate suitable care, will there be guidelines developed on the issue?

Mr Carters—Yes, there definitely will be. That is an important area.

Senator MOORE—These are going to be another set of guidelines looking at that particular eligibility.

Dr Morehead—With teenage children if there is no approved child care available—that is, child care that attracts child-care benefits as defined under the Family Assistance Act—the parent then makes a decision as to whether they are happy having informal or other formal but non-CCB attracting child-care arrangements.

Senator MOORE—Then the parent makes the case to the determining officer and the determining officer will make a decision whether that constitutes a case.

Dr Morehead—Essentially the parent would make the decision. It would be basically what the parent says to the 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, and if there was not—

Senator MOORE—It does not exist for over 12s.

Dr Morehead—That is right.

Senator MOORE—As you would be aware this particular issue has come up consistently as one of the concerns. On the basis of that, provided the parent is able to make a statement that there are no suitable arrangements in their locale, would the determining officer accept that statement?

Dr Morehead—Yes. They would do a check to see if there is approved child care available. If there is not, it is up to the parent.

Senator SIEWERT—I want to go back to the question that Senator Wong asked earlier about what is in the legislation and what is in the guidelines. Some of the exemptions and things are in the legislation and some are not. Some are in the guidelines as we have just discussed. How has that decision been made?

Mr Carters—That decision is a government call. It is not something that we make as such.

Senator SIEWERT—What guidelines were you given for what should be included or not?

Mr Carters—Probably one good indicator is that anything that affected the level of a person's eligibility for income support would be in the legislation. For example, if it affected work requirements, participation and those sorts of things then it would normally be in guidelines.

CHAIR—In that respect, obviously there are more provisions being inserted into the legislation dealing with these reforms. Has the balance between what is in legislation and what is in guidelines, in terms of a philosophy of how those things are divided, changed with this package? Are we seeing more shifted into guidelines than was the case before, in other words?

Senator MOORE—Over what period of time?

CHAIR—Compared with the legislation as it stands at the moment.

Mr Carters—Compared with the current Social Security Act, yes, there would be more in guidelines in the future.

Senator WONG—Perhaps you will need to take this on notice. Would you be able to provide the committee with at least a list of topics or issues which are intended to be covered in the guidelines? I appreciate that the formulation of it may still be before government but I think we have covered a few topics that are clearly going to be put into the guidelines.

Mr Carters—Yes, we will look at that.

Senator WONG—Is it possible to get that before Wednesday?

Mr Carters—We will do our best.

CHAIR—Could I direct you to the graph at the top of page 6 in the submission, where you indicate the trends of people receiving income support through unemployment benefits, parenting payments and DSP. The level of support for people on DSP has been rising over the last 10 years. Does that line roughly accord with the rate of growth in population or is there a greater rate of growth in the number of people receiving DSP? If so, what would be the reasons for such a growth?

Mr Carters—Our understanding is that it is certainly above the population growth rate. But we do not have that level with us to be able to tell you what the difference is. There are many and varied reasons for the increase in disability support pension. Some have to do with the ageing of the population. Others have to do with a higher recognition of mental health issues and so on these days. There would be some contribution there because of the current legislation which basically says the determination of eligibility for disability support pension for mature age people can be partly determined on the basis of local labour market opportunities, which this legislation is revoking. There really are any number of reasons which would lead to that increase.

CHAIR—At one point the Leader of the Opposition suggested that the number of people on unemployment was being deflated by virtue of people being pushed onto the disability support pension in some sort of administrative way. I assume you would reject the suggestion that anybody was being moved inappropriately from unemployment benefit to the DSP?

Mr Carters—Certainly, that latter provision which I mentioned for the mature age people—being able to take into account local labour market conditions—may have impacted on that. But, generally speaking, the eligibility rules for DSP are pretty clear. We would have expected that they would have been administered over the years by Centrelink appropriately. The eligibility was not part of our portfolio until late last year, so I cannot really comment beyond that on that question.

CHAIR—You point out in the submission that Australia has the third highest rate of jobless families in the OECD and the lowest employment rate of people receiving disability benefits in the OECD. Is there any indication as to why that would be the case?

Mr Carters—Regarding the first point, about the third highest rate of joblessness, essentially about two-thirds of that Australian figure is attributable to sole parent households. So that certainly is a significant factor. It is very much a sole parent household issue. If the sole parent is not in work then that by definition is a jobless household. As you can see from the figures, the level of people on parenting payment continues to rise, so that is continuing to contribute to that factor.

In terms of the very low take-up of employment by people with disabilities in Australia, about 10 per cent of people on DSP have earnings from employment and, as you have said, that is very low by OECD standards. The reasons for that, again, are quite varied. Obviously, part of the reason is that the level of income support for people on DSP is relatively high. There is a significant amount of assistance for people on DSP to seek work, but that has not been happening. Part of the new measures is to significantly increase the numbers of people who take up the assistance that is available. There is also the factor that people on the

disability support pension are concerned about losing their payment or it being very difficult to get back on payment if they do try work. That is again why this two-year provision is very important. It gives them a guaranteed right of return.

Senator MOORE—Mr Carters, are there not other figures around on people with disabilities that indicate that Australia has a high rate of people with disabilities seeking employment? We get into this discussion all the time about data that is coming out in different submissions. But certainly some of the submissions we have had from different organisations indicate that there is a question about the employment-seeking nature of people with disabilities in Australia and the successful employment of people with disabilities. It varies from disability to disability as well. We have had a number of submissions that make quite contrary claims about those figures. I am juggling a little bit here in terms of what is the ultimate figure.

Mr Carters—There is a big difference between people with disabilities and people who are receiving the disability support pension.

Senator MOORE—Certainly, yes.

Mr Carters—The population of people with disabilities in the general population, the working age population, is a lot higher than the percentage who are on DSP.

Senator MOORE—Absolutely.

Mr Carters—There are a lot of people with disabilities who are on Newstart who are very successful in achieving employment outcomes. It just seems to be a characteristic of DSP itself that it has a very low take-up of employment.

Senator McLUCAS—The level of disability would be higher.

Mr Carters—The level of disability is higher, yes.

Senator BARNETT—This is a follow-up to the chair's question. On page 6, you refer to the OECD statistics and the research. Can you provide us with those statistics about the OECD, in terms of the other countries? You said we had:

... the third highest rate of jobless families ... in the OECD and the lowest employment rate of people receiving disability benefits of 16 OECD countries.

Can you provide some details about the different OECD countries and where the research came from, please?

Mr Carters—Yes. Can I just be a bit clearer on that? You want us to provide—

Senator BARNETT—I want you to provide who the other countries are and where they fit in terms of the exact—

Mr Carters—The league table, okay.

Senator BARNETT—And the research—when it was done and who did it.

Mr Carters—It was OECD research.

Senator McLUCAS—I just wanted to follow up one question on clause 502G, which talks about six weeks exemption, prenatal and postnatal. I imagine that 'postnatal' is about the case where the baby of a woman, in this case a single parent, dies at birth, and she has an

exemption for six weeks. Is that the intent of that clause, and on what basis was the decision about the six weeks prenatal and postnatal made?

Dr Morehead—This is something existing in the legislation, so it is just continuing that under Welfare to Work. It is just lifting it and continuing it on—and it is whether or not the child is born alive.

Senator McLUCAS—So the current arrangements have been continued?

Dr Morehead—Yes.

Senator McLUCAS—As a part of this process, did you do any assessment of why six weeks was an appropriate amount of time for a woman to recover after, let us say, having a stillbirth?

Mr Sandison—I think it provides a set period here, but the special circumstances exemptions under Newstart provide the capacity for employment service providers and Centrelink officers to take into account a range of other issues. This makes it specific, like domestic violence is a specific area, but generically, under the act, individuals involved in the employment system can make further decisions around exemptions.

Senator McLUCAS—She would have to reappear at a Centrelink office or a Job Network agency to reapply, six weeks after having a stillbirth?

Mr Sandison—It may be that there are other ways, in terms of contact with an employment service provider, maybe through a family member or whatever, to raise the issues that a person is facing. I do not have to hand any examples of how employment service providers take into account different issues, but the special circumstances parts of the act do allow for broader considerations.

Senator McLUCAS—On what basis was the decision made about six weeks prior to the expected date of delivery? On what medical basis do we work six weeks pre and post the expected date of delivery?

Mr Sandison—I do not have the reasoning for how the original act was written with those time periods that were set.

Senator McLUCAS—It seems a bit skinny to me.

CHAIR—I propose at this point to draw this session to a close. We have the department returning on Wednesday morning, and there will be an opportunity to test issues or submissions that have been made to the committee at that point.

Senator JOYCE—Could I put some questions on notice, please?

CHAIR—Yes, certainly. Questions on notice are certainly fine. I would suggest that we do those fairly soon so that there is a better chance of the department being able to respond.

Senator WONG—Given the time frame, if Senator Joyce wants to do that verbally now, we on this side do not have any objection to that.

CHAIR—That is fine.

Senator JOYCE—Thank you very much. I would like to put the following questions on notice. What is the government doing to ensure that people with a disability are matched to

jobs which are matched to the capacity and the ability of these people to work? We in the National Party are concerned that, by focusing on the capacity of the disabled person to work, the barriers to work are overlooked and that the job may not suit their ability and interest. Secondly, people under the new disability support pension are close but not below the poverty line. What safeguards does the government have in place to ensure that unforeseen circumstances do not put people on DSP payments into poverty? Thirdly, whilst through Newstart there are provisions to assist disabled people get skilled and find suitable work, what incentives does the government have for employers to employ people with a disability? Fourthly, many people receiving the disability support pension would like to work but they face barriers like discrimination, lack of access to public transport and difficulties with access to buildings. How has the government addressed these barriers in the Welfare to Work bill? Fifthly, many people with disabilities generally wanting to work are faced with barriers, including the cost and access to transport. How does paying a near poverty line payment help them to better prepare and access the work force? Sixthly, has there been strong consideration put in place for people in regional towns whose access to public transport and work considerations put them at a distinct disadvantage to other people, in metropolitan or more progressive regional towns?

Senator BARNETT—I have a question on notice. Could the department provide statistics on work force shortages expectations/estimates on a yearly basis for the next 40 years? If you cannot do it on a yearly basis then perhaps you could do it on a five-yearly basis.

CHAIR—We have quite a lot of work there for you to do between now and Wednesday morning. We appreciate your time today and we will see you again on Wednesday. We are seeing the department on Wednesday morning, and I understand the intention is that we will also have you back on Wednesday afternoon in case there are issues raised by witnesses between Wednesday morning and Wednesday afternoon. That would only be a brief session, I assume, on Wednesday afternoon.

Proceedings suspended from 10.52 am to 11.05 am

DAVIDSON, Mr Peter, Senior Policy Officer, Australian Council of Social Service

JOHNSON, Mr Andrew, Director, Australian Council of Social Service

CHAIR—I am pleased to welcome representatives of the Australian Council of Social Service. You are reminded that the evidence given to the committee is protected by parliamentary privilege. The giving of false or misleading evidence to the committee may constitute a contempt of the Senate. We have the submission that you have given to us. Thank you very much. We appreciate that it was done in a relatively short space of time and we thank you for that effort. Would you like to make an opening statement based on the submission before members of the committee ask you questions?

Mr Johnson—Yes, we would, thank you.

CHAIR—Please proceed.

Mr Johnson—We would like to thank the Senate Community Affairs Legislation Committee for this opportunity to comment on aspects 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. The Australian Council of Social Service is the peak council of the community service and welfare sector with over 70 national member organisations and hundreds of associate members. We deliver services to over three million Australians and together we advocate for a fair, inclusive, sustainable Australia where all individuals and communities have the resources they need to participate in and benefit from social and economic life.

Our focus today will be on the major concerns and recommendations we have outlined in our submission. The Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill aims to move more social security recipients into jobs. ACOSS and its members support this goal and we welcome the government's increased investment in employment assistance and child care. ACOSS and its members, some of whom you will hear from at this inquiry, have agreed on four key recommendations: to maintain existing rates of payment and income tests for people with disabilities and sole parents, to introduce more legislative guarantees so that activity requirements are relevant and reasonable, improved investment in employment programs to help people obtain jobs and, lastly, a fair compliance system with less severe penalties.

In relation to the reduction in future income support payments, after July 2006 it is estimated that 161,000 people who apply for pensions—81,000 people with disabilities and 80,000 single parents—will be shifted onto lower allowance payments. Many of those, around 50 per cent, live in rural and regional Australia. When we compare two people with similar circumstances, one who applies for the pension in February and the other who applies in September, the person who applies after July could be significantly worse off. A person with a disability assessed to have a partial capacity to work and who is jobless will receive \$46 less per week than if they were on the pension. If that person studies full time, they will receive up to \$166 less per week. If they get a job for 15 hours a week at the minimum wage, their weekly disposable income will be \$99 less than if they were on the DSP. In relation to single parents, those who remain jobless will receive \$29 per week less than on the pension and

those who study full time will receive \$63 per week less. If they get a job for 15 hours a week at the minimum wage, their weekly disposable income will be \$96 less than on the pension. In addition to receiving lower payments, the shift from pensions to allowances has a multiplier effect.

Firstly, while we welcome the easing of the Newstart income test, it provides less incentive to work either full time or part time than income tests on the pension. Secondly, the package creates disincentives to study to improve future job prospects, including denial of access to pensioner education supplement and, for some, denial of the pensioner concession card and/or rent assistance.

Recent changes to the age of qualifying child from six to eight years, the higher rates of payment for foster carers and home and distance educators, and the extension of carer payment eligibility for parents with severely disabled children are welcomed. However, we estimate that these changes amount to less than 10 per cent of the overall number of people adversely affected by the original package. Therefore, we recommend that the maximum basic rate of payment for people with partial capacity to work, with an impairment of 20 points or more, and single principal carers of children aged eight to 15 years be equal to the relevant pension rates of payment, including income test, supplements and other pensioner concessions.

In relation to activity requirements and penalties, the government's policy intention is that activity requirements will be specifically tailored for the needs of parents, people with disabilities and mature age people, but this will only be guaranteed now and into the future if it is clearly stated in the legislation. The bill leaves too many aspects of activity requirements and the penalty regime to guidelines or administrative discretion. For example—and this has already been spoken about at the committee—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.

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

Of concern to ACOSS is that the legislation does not make it clear that full-time work for the dole is to be restricted to certain long-term unemployed recipients. Furthermore, on reading of the legislation, it appears that one could be on the Work for the Dole program indefinitely. People who do not fulfil their activity requirements could have their payments suspended for up to eight weeks, without distinguishing between relatively major activity breaches and relatively minor administrative breaches, as the present penalty regime does. Therefore, we recommend that the legislation clearly state the nature and scope of temporary exemptions and that those exemptions be extended to other groups, including but not limited to principal carers having separated in the last six months and where it would be unreasonable for them to comply, and people experiencing homelessness and other acute personal crises. We recommend limiting the scope of activity requirements to 15 hours a week explicitly for target groups and, as has already been said before the committee, that schedule 7, item 63 be removed and that the existing provisions of 606(1) to (1AC) remain.

Employment assistance is inadequately funded. It is welcome that employment assistance and child-care services are substantially expanded to assist recipients into employment at an annual cost of around \$330 million. However, the bulk of the places available are in low-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, lack of recent employment experience, and disability. We therefore recommend increases to high-level assistance to overcome barriers to work. For example, there are currently 200,000 very long-term unemployed people and approximately 50,000 who become so each year, but there are just 7,000 places a year in the Wage Assist program to encourage employers to take them on. There are 180,000 jobless parents with school aged children and approximately 30,000 who will enter the new activity test regime each year. Most have a year 10 education or less, but there are only 5,000 extra places a year in vocational education and training. There are some 700,000 disability support pension recipients and approximately 20,000 people with partial capacity who will enter the new activity test regime each year, but there are only about 21,000 extra places over three years in disability open employment services, most of which are earmarked for people with disabilities on Newstart allowance. Due to a cut of \$450 million in Job Network funding announced in the budget, customised assistance—the highest level of Job Network help—will be more strictly rationed.

Our recommendations for amendment to the bill included in this short presentation, and in more detail in our submission, aim to increase participation and reduce welfare dependency of parents, people with disabilities, the very long-term unemployed and mature age people through the maintenance of payment rates; to increase investment to improve employment services and other assistance; to take account of the disadvantage faced by jobless Australians; to ensure participation requirements encourage and are responsive to the circumstances of single parents and people with disability; and, finally, to promote a compliance system that encourages and rewards participation without needlessly punishing people.

CHAIR—Thank you very much. Mr Davidson, do you have anything you want to say before we ask questions?

Mr Davidson—No, thank you.

CHAIR—Could I start by addressing this question of the move of people from DSP and parenting payments into Newstart and the comment you make about how such people will be disadvantaged relative to where they were before or where a person with that kind of background would be but for these changes. It raises a sort of philosophical question of where, ideally, if you were constructing the system from the beginning, you would place people in a system of support for people who need support of various kinds. If a person were assessed as having a capacity to work—not necessarily in a full-time capacity—why should they not be in the same category of support as a person who is in the job market seeking work? In other words, why shouldn't the community standard for unemployed people seeking work apply to people, albeit parents, albeit people with some level of disability, who are assessed as being capable of being in the work force and obtaining some level of work?

Mr Johnson—The first point about having a simpler system we agree with; and we agree with the McClure process, which looked at making the welfare system much simpler and fairer.

In relation to the disadvantages that are faced by the two groups that we are talking about, first, a person with a disability with a partial capacity to work suffers disadvantages on the barrier side, which is in relation to employers taking them on, and also in relation to the increased costs of participation, which are only partly met by the mobility allowance and other things available within the package. The other point to make is that you are very right to point out that it is services that should be tailored to people, not payment rates. We should not be determining the level of a person's payment just because there is a change in a date. As has already been outlined to the committee, we are talking about people on the disability support pension, which is around \$240 a week. We are not talking about significant amounts of money. Those people are doing it quite tough to make ends meet. Increasing their participation rates and putting them on a lower payment at the same time means that these people are going to be suffering from multiple disadvantages plus the element of trying to make ends meet with less money.

CHAIR—How many other places in the world would a parent with a child, say, of the age of 10 be entitled to income support of the kind that is available through the parenting payment in Australia?

Mr Davidson—In most other OECD countries, they are entitled to social assistance which is not tagged to the particular circumstances of single parents, unemployed people and so on. So there is, in effect, a single rate or rates of payment for all. That is essentially the system which we would ideally support. The government indicated in its discussion paper two years ago, *Building a simpler system*, which was authored by ministers Vanstone and Abbott, that that was the direction the government was heading towards: a simpler system where there was a single base rate of payment for everybody, regardless of whether they were unemployed, had a disability or were a parent or not, plus add-ons for children, the costs of disability, the costs of job search and so on. We are still supportive in principle of that simpler approach. We are disappointed that the government has moved back to maintaining this divide between pension payments for some and lower allowance payments for others.

CHAIR—So you are saying that in other OECD countries a sole parent with a 10-year-old child, say, would be able to receive a level of support of a kind that is currently available to a person on PPS in Australia?

Mr Davidson—The rates of payment vary from country to country quite—

CHAIR—But they would be entitled to some kind of support that is meant to be equivalent to a living wage or a subsistence wage from the community.

Mr Davidson—They would be entitled to social assistance, which is equivalent to our social security payments system. They generally would not be entitled to a proportion of their previous wage unless they had actually worked in the recent past. Underneath that system of social insurance, there is a system of social assistance, which is a safety net to catch those who do not have recent work experience. Our income support system is equivalent to that, because we do not have the social insurance that most other countries have.

CHAIR—The thrust of my question is this: once the changes are made, how effective or extensive will our social security system be compared with other OECD nations with respect to people with disabilities and parents?

Mr Johnson—On the disability support pension, testimony was given before that, while the participation rates are very low in Australia, in fact in relation to those people on similar disability support payments in other countries we are relatively middle of the road in relation to the numbers. What we need to be doing is increasing the levels of participation. That is why we are calling for greater investment. We need to look at customised assistance and tailoring it to the needs of individuals. That has been outlined in previous government submissions and reports.

What we are seeing with this legislation is a move away from a simpler and fairer system but also a move away from an ability to tailor circumstances to individuals, particularly if you are looking at people living in rural and remote Australia, where the services—transport and other things—will not be available. We are reducing payment levels and at the same time not putting enough into supports and services. Our system was—by international standards—targeted, but we are moving away from the ability to assist those who are in most need.

When we are talking about people with disability and single parents who are moving from the pension to an allowance, what we need to be looking at are the kinds of disadvantages they are facing. For example, around 50 per cent of them are in rural and regional Australia, 60 per cent of single jobless parents and people with a disability on payments have a year 10 education or less, two in 10 single parents have experienced violence in the past year and one in 10 have had to move in the past year. Given this strong growth in jobs, the reality is that those people who are left jobless in Australia are highly disadvantaged. This is the moment when we should be increasing investment and ensuring that they have adequate levels of support to move from welfare into work. We are increasing investment, but not enough, while at the same time decreasing the amount of money those people will receive, and they are the most disadvantaged jobseekers.

CHAIR—You said that there were incomparable levels of disability. You said we did quite well in terms of participation rates.

Mr Johnson—In terms of participation rates, we do not compare favourably to other countries. That is the very point of increasing services to people with a disability. The investment that has been made is targeting those people who are moving from pensions to allowances, but the 700,000-odd people on the disability support pension will not be getting access to that investment. It is not enough, but it will be more targeted to those people who are shifting to allowances. One of the major problems that we need to tackle as a country is increasing the participation of people with a disability, but the way that the package is outlined that will not be the outcome.

CHAIR—You say in your submission that it is not necessary to reduce people's income support payments to get them into jobs. I think that philosophically we would all hope that was the case but I wonder whether it actually is. The department's submission, which you may or may not have had a chance to read, refers to the experience of other countries where they say that benefits are less extensive than in Australia. I am referring particularly to page 7

of the department's submission, which you might like to have a look at later on. They refer to the way that as people's eligibility for benefits comes to an end the take-up rate or the level of employment rises significantly, particularly in the cases of France and Denmark. Would you agree that that kind of evidence suggests that there is some positive effect, in terms of taking up employment, of having an end date to benefits so that people see they have a choice between losing those benefits and income support or obtaining employment of some sort?

Mr Davidson—We have not had the benefit of reading the DEWR submission but, with regard to the countries you mention, those studies would refer to people moving off social insurance and on to much lower levels of social assistance. The social insurance payments in those countries, which are quite dramatically different to the system we have here, are based on the previous wage. They are perhaps 70 or 80 per cent of the previous wage that the person received. So at that point in time they drop from, say, 70 or 80 per cent of their previous wage to perhaps 20 or 25 per cent. It is not surprising that that would have some impact on their efforts to re-engage with the labour market.

However, in Australia we do not have payments anywhere near as generous as 70 to 80 per cent of previous wages. The disability support pension, Newstart allowance and so on are closer to 25 per cent or even less of people's previous wages. So the work disincentives that might arise in a system where people are being paid just a little bit less than their previous wage are not going to arise in this country and I am not aware of any studies that suggest that maximum rates of payment of income support in Australia discourage people from accepting low paid employment. If someone moves from, say, the single adult rate of Newstart to a full-time job at the minimum wage they would pretty much double their disposable income. The margin is so great that in our view the issue just does not arise in the way that it does in the countries that you mentioned.

CHAIR—Okay, are there other questions?

Senator WONG—Can I start with the changes to the eligibility for the disability support pension. Have you looked at the removal of the reference to the local labour market for people over 55?

Mr Johnson—No. Not in great detail.

Senator WONG—I asked the department before, and perhaps you can assist us, whether or not there is any research of which you are aware that demonstrates a participation benefit from reducing peoples payments. It is a bit related to some of the questions Senator Humphries was asking.

Mr Johnson—I think it is the same. We are unaware of any study which actually says that, within the parameters that Peter Davidson was talking about, that is actually an incentive. What is an incentive is access to training, education, supports and services to actually assist people from welfare into work rather than being moved onto a lower payment.

Senator WONG—Can I ask about the characteristics of the people we were talking about. I think you indicated that two out of 10 recipients of the parenting payment have been victims of domestic violence.

Mr Johnson—Victims of violence.

Senator WONG—Have you considered the scope of the proposed exemptions from the current regime? As I understand it, there are three exemptions, in relation to foster carers, home educators and distance educators, which are set out at pages 9 and 10 of the bill. To my reading, they are still in the discretion of the secretary. Does ACOSS have any comment on that?

Mr Davidson—That is our reading of it. The only ones that are not subject to the discretion of the secretary are the distance educators, home educators and foster carers.

Senator WONG—I am not sure that that is even right, unless I am reading it wrongly. Section 5B says:

A person is a *registered and active foster carer* if the Secretary is satisfied that:

... ..

The Secretary may, by legislative instrument, make guidelines ...

Is there a discretion in relation to foster carers, home educators and distance educators as well?

Mr Johnson—We have had three days to go through the legislation. Our reading of it would be that the secretary must make a determination under this section. So, unlike any other section, it is ‘may’. One of our concerns about the legislation as a whole is that so much is left to the discretion of the secretary.

Senator WONG—Let us talk about that. I think you were here for the department’s evidence in relation to victims of violence. It is quite clear to me that that is discretionary, but I would be interested in ACOSS’s view about whether or not the government is adequately protecting victims of domestic violence in these changes.

Mr Johnson—We do not think the provisions go far enough. Part of looking at exemptions is to take in the lived experience of the people that we are talking about. For people who have actually gone through that experience of domestic violence, self-identifying is difficult in itself. Also, when you look at the other exemptions, the lived experience is not really taken into account—whether it is homelessness or a family crisis. For example, the Australian Council of Social Service does a survey every year of the services that our members deliver, and what the members are saying is that in all services across Australia people are presenting with multiple issues, not just one. So you could be a recently separated person who is experiencing domestic violence, has a disabled child and is homeless. It sounds like we are just using the worst case scenario, but you could add further to that list and in fact that is not an uncommon experience. The legislation needs to be much clearer about protecting people. As has already been outlined, those protections will not be there if they are in guidelines, because they can be changed. Whether it is domestic violence or other further exemptions, we want to see that they are clearly stated in this legislation so that officers of the Australian government are clear about the intent of the legislation.

Senator WONG—What about large families, parents with, say, four or more children? What protections are in the bill that is before this committee for those parents?

Mr Johnson—I think you are right to point out that that is not in the legislation. Although they were part of the government proposals, we were unable to locate those in any part of the bill.

Mr Davidson—They are mentioned in the explanatory memorandum but not in the bill itself.

Senator WONG—We can ask the department, but presumably they will say the same thing as they did in relation to other things: ‘That will be in the guidelines.’ What do you say about having them in the guidelines?

Mr Johnson—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.

Senator WONG—Can you explain to me section 502D on page 48 of the bill? The secretary ‘may’ make a determination in relation to a person who has care of a child with a physical, intellectual or psychiatric disability or illness, as opposed to ‘must’ make a determination in relation to distance educators et cetera. Do you understand that to mean that it is still discretionary whether a person who is caring for a disabled child would be exempt from a participation requirement?

Mr Johnson—That is right, and we understand that the guidelines may contain a time test. You will have an official determining how much time it will take you to dress your own child and the particular difficulties of bringing up a child with disability. The concern is that, because those things will not be outlined in legislation, how are those determinations going to be made? There will be inconsistency between a decision made by a person in Rockhampton and a decision made by a person in Thomastown. How do we ensure that all Australians are getting a fair go in relation to what the legislation is trying to do?

Senator McLUCAS—In the department’s submission they talk about the assessment process for determining when a parent has a disabled child. The assessment seems to be that of a health professional. In terms of ACOSS experience in using a health professional assessment process in relation to the care required, do you have any comments on the efficacy of using that type of measure?

Mr Johnson—Unless it is in the explanatory memorandum I am not quite sure. Does it outline the fact that it has to be made?

Senator McLUCAS—This is in the department’s submission. I know there are layers that you have not yet seen. There are two questions I want to ask. Firstly, is an assessment based on health needs rather than care needs a useful measure of the ability of that parent to enter or not enter the work force?

Mr Johnson—We are happy to provide a further answer to that but it has to be a combination of both. The one good thing is that the department says that it is looking at care needs—by the fact that it will be a time.

Senator McLUCAS—That is not clear to me in the submission, so perhaps you could have a look at that, if you would. The department is saying that they are going to move their assessment for carer payments onto a different methodology but that is still also very unclear. The other concern I have in the department's submission is that they say that the period of the exemption for carers of a dependent child with disabilities cannot exceed 12 months. It then goes on to say that there might be reviews and subsequent exemptions also not exceeding 12 months. Do you have any comments about what that will mean for parents of children with disabilities?

Mr Davidson—Twelve months seems too short in cases where a child needs constant care. Some will be entitled to the carer payment under the new carer payment arrangements, although I do not believe we have seen legislation to enact that. The carer payment is very restrictive, so I would imagine there would still be a substantial number of parents in receipt of Newstart who have children with substantial care needs. In those cases 12 months seems too short.

Generally with the activity test exemptions, our view is that there should be a clear listing in the bill of the circumstances in which people should be exempted, including large families and other things such as people who are homeless, with a proviso that a reasonableness test applies: where it is not reasonable to expect somebody to participate they will be exempted. That provides sufficient flexibility for the secretary but also sufficient protection for the recipients because the meaning of 'reasonable' would then be subject to appeal. We do not agree with this argument that you can only have flexibility if you keep all of these matters out of legislation and leave them in guidelines.

CHAIR—I want to clarify an answer you gave to Senator McLucas. You said that the period of exemption for a person who has a child with a disability is 12 months. As you understand it, can that exemption be renewed, so a person can receive multiple periods of exemption?

Mr Davidson—Yes.

Senator McLUCAS—I am not clear on that myself, and we will have to go back to the department on that.

Senator WONG—And the period of exemption for a victim of domestic violence is four months or 16 weeks maximum?

Mr Johnson—Yes.

Senator WONG—Again, with a requirement to reapply?

Mr Johnson—Yes, that is right.

Senator WONG—To put this in context, apart from the three exemptions which we have discussed, the other exemptions which are discretionary apply to people with disabled children, victims of domestic violence and people undergoing acute personal crises, such as

homelessness et cetera. That may exempt a parent from the participation requirement but will not exempt them from the payment cut.

Mr Johnson—That is right, so you are placing participation requirements on people who are going through a tough time while at that same time reducing their payments. The other element with regard to the multiplier effect is if they are able to get a job then, in comparison to being on the pension, more money will be taken off them by the government in terms of effective marginal tax rates. When we are looking at people who seek exemptions or disadvantaged Australians who will be affected by these changes, now is the time to put supports and services to assist them to get back into the workplace rather than place them on activity requirements. One query we do have, which was raised with the department, relates to getting clarification about if you have to accept a job that is 15 hours, because it could be at the whim of the secretary to make it up to 25 hours in terms of activity requirements. That is very unclear to us. A person could be required to work 15 hours but, in terms of their activity requirements, it could be up to 25 hours, anything that the secretary deems appropriate or suitable. That is up to 25 hours for a person with disabilities.

Senator WONG—I turn now to section 606, which I think relates to the questions I was asking of the department relating to the discretion of the secretary to get people to do things under the Newstart activity agreements. The secretary can in fact require various activities to be undertaken by parents and people with a disability. I made the comment that, because it is unfettered, they could be required to medicate, diet or even move house. Let us just track that through. As I understand it, the current section 606 sets out the discretion and relates to Job Search et cetera. It also states:

(g) another activity that the Secretary regards as suitable for the person and that is agreed to between the person and the Secretary.

If you need it, Mr Davidson, I did ask the committee if they could provide me with a hard copy of the current section. Essentially, what I am putting to you is that the current discretion of the secretary to make Newstart recipients do things is set out in the current legislation, relates essentially to Job Search and training employability requirements and has a more open-ended discretion that says the secretary can direct them to do other things provided they are agreed to between the person and the secretary. My reading of the bill at page 119 is that the discretion that is given to the secretary in terms of what they can require parents and people with a disability to do is far wider.

Mr Johnson—That is correct, and that is our reading of it too. As you have already pointed out, Senator, previously it is agreed between the person and the secretary. In relation to some of the examples that you talked about, our concern is that people may be forced to undergo medical treatment that they or their treating physician may deem as inappropriate or unacceptable at a particular time. We say this because, rather than have these things up in the air, they can be clearly stated in the legislation—and in fact were stated under the section in the previous legislation. Our recommendation is to leave that section as it is. Also, if there is no clarity or the Senate is not clear about certain provisions of the bill, then the provisions should be inserted to ensure that there are protections for people who are living in vulnerable circumstances.

Senator WONG—Are you able to assist us as to why there has been a shift to a 25 hours a week requirement, from your understanding of the issues?

Mr Johnson—We have seen no reason for it to be changed to 25 hours. In our opinion, from discussions with the department and certainly from what was in the public domain, the number 15 was the only number mentioned. To be unclear about being able to require a sole parent or a person with a disability to work up to 25 hours a week seems unfair.

Mr Davidson—It also generates uncertainty, in that a parent could be asked to look for work of 15 hours, 20 hours or 22 hours a week, and a parent in similar circumstances in a different Centrelink region or attending a different Job Network provider could be required to seek more or less. Similarly, it seems that the number of hours required of a person with a partial capacity to work is not tied to their work capacity assessment in the legislation, as far as I can see. These things create uncertainty. If the intention is that people be required to look for work of X hours a week, why not put it in the legislation?

Senator WONG—What is your understanding, in terms of the legislation, of the capacity of parents on the parenting payment with participation requirements to spend time with their children at Christmas?

Mr Johnson—You could have the situation in which somebody has a casual position in a factory and is laid off over the Christmas period. During that Christmas period they will have to fulfil their participation requirements by looking for work. Also, if a single mother has 13¾ hours, she will have to continue to look for work until she is able to reach 15 hours. In terms of the reasonableness of those kinds of requirements, take into account not only the circumstances of the individual person but also, more importantly, their children and their family circumstances.

Senator WONG—Going back to the unfettered discretion issue, do you say that under this legislation a person with a disability in a regional area could be required to move towns if there were not jobs in the town in which they lived?

Mr Johnson—On the face of it there does not seem to be in the legislation protection from that happening, given that the discretion is so broad. In relation to the CWCA, or comprehensive work assessment—and we particularly look at regional and rural Australia on this—the decision that is going to be made is that, if that person received all the supports and services available in the package, they would be able to work 15 hours a week. If you are living in regional or rural Australia, those services may not be available, so after that two-year period you may not have been able to get the assistance that the initial decision to move you from a higher payment to a lower payment was made on. Our concern is that, particularly in regional and rural Australia, people will be shifted from a higher to a lower payment based on unidentifiable facts of whether services exist or not.

Senator SIEWERT—In your submission you talk about the employer assistance provisions, how there has been increased funding for some of it because of cuts in other areas and how it is not adequate. Can you outline some of the things that you think should be done to improve the current provisions.

Mr Davidson—Essentially our proposals in the submission are based on the structure of the existing Welfare to Work package. We have not attempted to reinvent the wheel, but the

biggest gap in employment assistance in the package is for higher-level assistance beyond helping people with Job Search. Firstly, that goes to disability open employment services, which are specialised employment services for people with disabilities. People on the DSP will still have to queue, as they have to today, despite some increases in the number of places. Secondly, the proposed Wage Assist program—which we very much welcome and which we have been calling for for some time—for very long-term unemployed people has just 7,000 places a year, which is clearly inadequate. We have argued that the number be trebled, because after you have been out of work for 24 months, you need some experience in a real workplace at a subsidised wage in order to get a decent reference and pick up an unsubsidised job. Thirdly, there is vocational education and training. There are just 5,000 extra places for all of those single parents and people with disabilities, 60 per cent of whom have year 10 or less education levels, and that is a significant barrier for them. We would double the number of those places. Finally, we recommend that the decision to save money in the budget by making it more difficult to obtain access to customised assistance, which is the highest level of help available in the Job Network, should be reversed. It means that a lot more people, including people with partial capacity to work and principal carers, will be waiting 12 months for that level of assistance and receiving a much lower level of assistance, in effect, while they cool their heels for 12 months. That assistance will be needed by many of the groups who are being brought into the activity test regime, and it should be provided earlier.

Senator SIEWERT—Would it be fair to say that we are taking people from pensions and putting them onto Newstart and DPS—they will be provided with some employment, there is some extra funding for employment assistance—but, based on my understanding of what you have just said and what is in your submission, there is not enough to cope with the number of people who are going to be moving from a pension to the lower rate of pay. What this legislation will do is move people to the new system expecting that they will get jobs, but they are not going to be able to because they are not going to have enough employment assistance to deal with their particular circumstances—particularly the group of people who have year 10 education levels. Is that a fair assessment of what is going to happen?

Mr Johnson—You are right to point to the fact that the question we should be asking ourselves is what level of assistance do people need to transition from welfare to work, not what payment level people should be moved onto. The reality is that, while there are good ideas in relation to the investment, we are talking about 1.5 million jobless Australians who are highly disadvantaged and, therefore, now is the time to invest in these people to ensure that they can make the transition. We are missing a golden opportunity, given the state of the economy, to be able to invest in people with disability and single parents to ensure that they and their children and their families can actually have a more productive, fulfilling life by ensuring that they have a standard of living that is acceptable to all.

Senator SIEWERT—We have already asked the department and they are coming back on this: are you aware of any studies that they would be using, or work out there, that says that lowering people's payment the way that this legislation is planning to is going to increase work force participation?

Mr Davidson—I am aware of one study that says the opposite. It is one by a number of Reserve Bank economists published in the 1990s. I could provide the reference—I think it is

Gruen and Philips. Essentially, they modelled the reasons for the rising unemployment from the 1970s through to the late 80s, early 90s. Their conclusion was that rates of income support payments were not a significant factor in the substantial rise in unemployment over that period. The reason for that was that the rates of payment were not sufficiently high to discourage people from accepting low-paid work. The problem was that they were not getting sufficient offers of employment, not that they were knocking them back because the benefits were too high. I can reference that.

I would also like to point to page 23 of our submission, where we have modelled the work incentives under the package compared to work incentives under DSP and parenting payment single. That shows that, both for people with disability and principal carers moving from joblessness to a part-time job at 15 hours at the minimum wage, and for a person with partial incapacity or a principal carer moving from joblessness to a low paid full-time wage, the incentives are less on Newstart than they are on DSP and parenting payment single, respectively. According to the arithmetic, they have less incentive to undertake either part-time work or low paid full-time work under the new regime than they would have had under the previous regime. This applied even to moving to full-time work because, if they are on a parenting payment single or disability support pension, they still receive a part payment if they are in a full-time job at the minimum wage. If they are on Newstart they do not get that in-work subsidy. The maths suggest that work incentives under the package are lower and therefore, setting aside the element of compulsion, participation would be lower.

Senator McLUCAS—You have provided data to the committee about overall numbers of people who are worse off. As a Queensland senator I am particularly concerned at the numbers. They are not per capita numbers; they are overall numbers. They show that Queensland in particular will be worse off. Do you have any comments about why that is the case? Why is it that Queenslanders are so disproportionately worse off under these proposals?

Mr Davidson—The reason is that the population of recipients of the relevant payments, particularly the sole parent payment, is growing more rapidly in Queensland and also in the Northern Territory and Western Australia than in other states of the country. That is partly due to population growth generally being higher in those states, but it seems that the population of families particularly is growing more in those states than the southern states, if I can refer to them that way. Therefore, the numbers of people who will be newly applying for income support from 1 July 2006 in those categories will be disproportionately high in those states.

Senator McLUCAS—Does it also go to the issue of dispersal of Queenslanders away from the capital city, our decentralisation, and the cost of the provision of services in non-metropolitan areas?

Mr Johnson—I think that is the case all over Australia with the cost of housing. Certainly, the package could have effects on Queensland, given that it is so decentralised. The question is, if you are on a lower payment, as we discussed before, will the supports and services be available to you in the regional or rural area in which you live. There is that multiplier effect. If you are losing payment, you have a higher effective marginal tax rate. There are certain things that you are unable to get access to, such as the pensioner education supplement. If you are living in a rural or regional area, particularly in Queensland, the question is what the effect will be for you and your family. One would have to assume that, certainly in regional

Australia, people with disability and single parents will be worse off than if the changes were not put through.

Senator McLUCAS—So those figures could actually be exacerbated, because they are based on straight demography and not access to services.

Mr Johnson—That is one of the issues with the comprehensive assessment. At that one point in time their person will need to make a decision, given the supports and services available and the package available in their area, that after the two years it will be assumed that the person will be able to work 15 hours a week.

Senator McLUCAS—How will the exemptions assist in that circumstance?

Mr Johnson—We would generally like to see more exemptions in the legislation to particularly take into account rural and regional Australia, given that they are going to be disproportionately affected, when you look at the numbers of people being moved from a pension to an allowance.

Mr Davidson—The changes since the budget to keep certain groups on the higher payments are really only for single parents. None of these changes really save people with disability from going onto lower payments. That keeps roughly a little under 10 per cent of the original group that was going to be worse off on the pension payments. That leaves the other nine out of 10. Those changes are welcome, of course. It is a substantial and beneficial change, especially the six to eight years provision. But it still leaves nine out of 10 of those who were originally worse off worse off.

Mr Johnson—If the government were able to see that people with children aged six to eight would suffer some kind of hardship by being put on a lower payment, we would argue that those parents with children aged eight to 15 are not in such dissimilar circumstances that they would not suffer the hardship that was foreseen as the reason for the change. Our recommendation is, arguing within the confines of the legislation, that the outcomes the government seeks can be met. And they can be met if there were no change to payment level. Activity requirements could be imposed as long as they are expressly outlined within the legislation as protections and people with a disability and single parents could be maintained on pension level payments.

Senator ADAMS—Do you consider there are enough incentives for employers to consider employing a person with a disability?

Mr Johnson —I think you are right to point out that there are probably not enough incentives in the package that is outlined thus far. We have already pointed out that the wage assist is low, although that is not even for people with a disability. The other point is that there was an announcement that \$50 million was going to be spent in relation to encouraging employers, which was not really enough when you look at the level of information and education that the community needs more generally and employers specifically. One of the things that we have found going around the country is that people are sometimes reticent to employ people with a disability, for a whole range of reasons, not just for discriminatory reasons or lack of understanding. It is also for things like WorkCover and health cover.

So there are more things that the government can do to improve incentives for employers to take on people with disabilities. One practical suggestion is that there could be funds available for employers to dip into, for example if an employer is to take on a person with an episodic mental illness who may be out of the workplace for a specific period. That employer could then dip into a pool of funds and bring in relief work, which is one of the concerns that an employer may have in relation to a person who works very well but there may be periods when they are not at work. If an employer knew that there were funds available to bring in a relief worker then they may be more likely to take someone on. There are many other suggestions we can give to the committee as well which I am sure the members of ACOSS will bring forth over the coming days.

Senator BARTLETT—I want to tease out a bit more the part of your submission about people who study to improve their job prospects. Can you, through your various member bodies, give some sort of indication of how many people go down that pathway to get out of the welfare dependency mode?

Mr Johnson—It is important to realise—and we have said it before—that when we are talking about people on the disability support pension and jobless parents 60 per cent of those people have a year 10 education. What we would be wanting to do, to ensure that they are able to get a job when it is reasonable, is to help improve their education level. For example, you could have a situation where a single parent who wants to go to year 10 or year 11 will receive significantly less money once the new changes come in. I think that with the package as a whole there are too many disincentives to study, rather than it being neutral as it was in the previous package where studying or Job Search were, you could argue, on an equal level or at least neutral. But now there will be actual active disincentives for people to study. Talking to many single parents and single mothers' groups, they say that education is one of the primary pathways that they can find to improve their situation and certainly to improve the situation of their children.

Mr Davidson—In one of its responses to Senate estimates questions I believe DEWR gave an estimate of the number of people in the new regime who will go onto Austudy payments. I am not sure though that they divided up those who will go onto youth allowance between the students and the unemployed. Clearly both the number and the proportion are much higher for single parents than for people with disability. This option of studying to improve future job prospects is quite popular amongst single parents because often they have had a lengthy period out of the paid work force caring for kids and find their skills are out of date.

However, the disincentives in the package to study are greatest for people with disabilities because of quirks in the payment system. The potential loss of income for a person with a disability studying full time from DSP to Austudy is up to \$166 a week, which is literally half their payment—half the payment they would have received on the DSP. And there has been concern in the disability sector for some time, and within the government, about the low level of participation of people with disabilities in further education and training, in vocational education and training particularly, and there have been strategies developed to redress that. These measures would seem to put a brake on those strategies.

Senator BARTLETT—Can I just clarify that, when you are saying people will be worse off if they try to go down the studying path, that is not just compared to if they got a job; it would be also as opposed to going down the Newstart or dole path?

Mr Johnson—It is comparing someone who applies in February who qualifies for the disability support pension. They are able to work up to 30 hours. They can choose to study full time and are able to get the pensioner education supplement and get rent assistance. If a person with the same disability and the same circumstances applies after July 2006—say they apply in September—they will be placed on Austudy. They will not have access to the pensioner education supplement, sometimes they will not have access to rent assistance and they will also not have access to the pensioner concession card. So, when you add all of those things, it is what we were talking about at the very beginning—it is the multiplier effect. It is not just in relation to this reduced payment; it is people in similar circumstances or the same circumstances who, because of the clock turning to July 2006, are receiving different levels of assistance and payment.

Mr Davidson—The rates of payment and payment reduction are indicated on pages 17 and 18 of our submission.

Senator BARTLETT—I have to leave it there, given the time.

CHAIR—We are running out of time. I just wanted to ask one more question. You say that the threat of loss of benefits is not the kind of incentive that is likely to drive people into employment. What worries me about that statement is that, at the moment, less than half the people on parenting payments in fact take advantage of the capacity to work part time, and only 10 per cent of people on disability pensions take up the opportunity. As I said, that rate of participation in the work force by disability recipients is the lowest in the OECD. Doesn't that suggest that the safety net has become a bit of a bed that people lie on without the incentive there to move into employment—that there are opportunities for both sticks and carrots to get people into the work force through arrangements to appropriately encourage them into employment?

Mr Johnson—In relation to the sticks, we have not been able to cover anything in relation to the penalty system, but we agree with you that there should be incentives there. What we are saying is that one of those incentives is not placing a person on a lower payment, as there is no evidence to suggest that removing a level of payment from one person actually enables them to increase their participation. What we do know is that it is an increase in support and services. When you look at the government's own studies, job outcomes are far better when people get uncapped access to the highest level of assistance. So the government has already acknowledged that the best way to actually increased participation is to avail the person who is unemployed of access to support and services. That would be the issue to get them into the job market, not a reduction in income or a reduction in payments.

There is an element, too, of unfairness between a person with a disability in February and a person in similar circumstances in September. One question to ask of the department and the government is: why is it that a person's costs in September are \$40 less per week than a person's costs in February? The reality is that, yes, we agree with the agenda of moving people from welfare to work and we agree with imposing relevant and reasonable activity

requirements. We just do not think that, for the package to be effective, reducing payments is going to assist in that effectiveness. In fact, other studies point to the fact that, when there is a decrease in income, people get more stressed and have less ability to deal with the ongoing issues within their family or daily life, let alone the increase in activity requirements. So it is more likely that the loss of payment could have an anti-productive effect rather than a productive effect.

Mr Davidson—I just had a quick point on the DSP group. The package grandfathers existing DSP recipients. There are 700,000 of them who will have a greater incentive not to participate in employment beyond two years because they will end up on the lower payment. As to why there are 700,000 of them now, and only about 10 per cent of them are in employment, is an issue that has exercised our minds as well and it greatly concerns us. A study commissioned by FaCS a few years ago surveyed new claimants for disability support pensions about whether they wanted to work, whether they were aware of relevant assistance to work and so on—and bear in mind this includes people with very severe incapacities as well as those who might have just passed muster for the DSP—and roughly 60 per cent indicated that they did want to work.

I suspect that number would be higher with some assistance and encouragement but 45 per cent indicated that they were not aware of employment assistance services such as Job Network, disability open employment and so on. So there has been a history, I think, of leaving this group to sit on the pension, which has been counterproductive. It goes back many years—this is not just a criticism of the current government. Certainly, one of the big factors has been the lack of engagement of that group with services, especially employment assistance services, and the extent that we can redress that. We think the package should, and could, go further in redressing it, especially for that 700,000.

CHAIR—To come back to my original question, you are not suggesting that the loss of a payment is not an incentive to go out to work? You might suggest there are better incentives—carrots are better incentives. It is an incentive in its own right, isn't it?

Mr Johnson—To repeat the mantra of DEWR, it is not a cut. It is rather that people in similar circumstances would be on different payments. In relation to incentives, we need to have a look at the situation where, if somebody was on the pension or somebody was on Newstart, there is actually greater incentive to work on the pension than there is on the Newstart allowance. One final point is that the Newstart allowance was never meant to be a payment for single parents with children or for people with disabilities and so you will see, when you are looking at the legislation, why it is often so complicated is that it is, at some level, trying to get a square peg into a round hole. So, in terms of the exemptions and trying to get them into legislation, it is an important point to understand that the allowance payment was never meant or conceived to be a payment for single parents or people with disabilities.

Senator JOYCE—I want to clarify something. I might have heard you wrong—did you say said that there are 700,000 people on disability support pensions?

Mr Johnson—Yes.

Senator JOYCE—Is that reasonably high for Australia? We have a work force of about 13 million people.

Mr Johnson—When you compare us to the UK and to the US, Australia actually has a lower rate of people on disability support pensions or like payments. So by international standards that is not the case.

Senator JOYCE—You mentioned education. Do you deem education as one of the primary drivers of the sort of job you get?

Mr Johnson—Yes.

Senator JOYCE—Do you feel that there is more that could be done.? With the current education system, are you happy with the standard of student that is coming out?

Mr Johnson—I can answer that in relation to the package. It needs to do more to have education available, particularly if you are living in rural and regional Australia. There may not be the job matching for a person with a disability or a sole parent with children, so education is one way that people can be participating in activity requirements through education rather than having to search for jobs. One point that we did not get to was the ability to travel to and from a particular activity or appointment, which is not in the legislation.

Senator JOYCE—It seems peculiar that being paid a Newstart allowance would be the situation where you would get educated. The job of education should happen long before you end up on a pension or on Newstart.

Mr Johnson—That is right, but I think it points to the fact that what we are talking about is that 1.5 million jobless Australians are incredibly disadvantaged, and part of that disadvantage is education.

Senator JOYCE—You mentioned before a family with four children. What level of family tax benefit part A and part B would they be getting?

Mr Davidson—A single parent?

Senator JOYCE—I think that the question posed—it might be on the *Hansard*—was about a family.

Mr Davidson—If each child is under 13, the maximum rate of the part A payment is \$137 a fortnight each, so you multiply that by four. There is also a large-family supplement, which I will find in a moment. But, if the parent is a sole parent or it is a single-income family, they would get the part B payment as well, which is \$82 a fortnight—overall, not per child—if the kids are all at school.

Senator JOYCE—And that sits on top of any other payments that they are already getting?

Mr Davidson—Yes, that is in addition to the income support, whether it is DSP or parenting payment. Generally speaking, a single parent—for example, with two school-aged kids—will get about half their fortnightly income from the parenting payment and about half from the family tax benefits. The family tax benefits extend to full-time workers, so they act as a kind of wage supplement for people in low-paid jobs.

Senator JOYCE—You also mentioned administrative guidelines being not prescriptive enough. Don't you think there is a danger that, if they become too prescriptive, in such an

amorphous sort of thing as social security you give more of an inclination for people to fall outside the net?

Mr Johnson—I think you are right to point to there being a balance, but we think the balance has gone too far. You can see with certain groups, but not others, that it has actually been placed into the legislation. So, even within what was announced in the government's package, why is it that large families with four children are not in the legislation but home-schoolers and home educators are? There is the ability to put reasonable tests into legislation, but I think it is very important to outline fundamentals in relation to protections that are provided for the kinds of target groups that we are moving from allowances to pensions or the other way around.

Senator JOYCE—Finally—and I do take that on board, and I see it has been an issue with a number of these things—there are a number of discrepancies between the explanatory memorandum and the legislation as it stands, especially in regard to those foreshadowed changes about travel time and a number of other issues that came through in the parliament in the last couple of weeks. I do think that needs to be followed through.

CHAIR—Thank you very much, gentlemen.

[12.24 pm]

BOLTON, Ms Genevieve, National Liaison Officer, National Welfare Rights Network

COAD, Ms Melissa, Education Officer and Caseworker, National Welfare Rights Network

FINLAY, Ms Jacqueline, Principal Solicitor, National Welfare Rights Network

RAPER, Mr Michael William, President, National Welfare Rights Network

CHAIR—Welcome. I remind you that evidence given to the committee is protected by parliamentary privilege and that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. We have your submission, numbered 32, in front of us. Thank you for producing that in a relatively short space of time. Do you wish to make a statement about the submission before we proceed to questions?

Mr Raper—Yes, I would like to take that opportunity. Before doing so, could I table a further document for distribution? I have enough copies, I hope, for the number of senators here. It is a series of cameos that we have prepared to try to demonstrate how we think some of the legislation will work in particular circumstances. We will refer to it as we go through. It is aimed at assisting senators to understand how each of the somewhat complicated pieces of legislation might apply in certain circumstances.

I will begin by pointing out that the network comprises welfare rights centres throughout Australia and that those welfare rights centres specialise in social security law and policy derived from the casework we undertake on behalf of our clients. So our brief is to undertake casework and policy analysis, and we are funded to undertake law reform advocacy as well, based on the lessons we derive from our casework. We have had a long interest in welfare reform as part of that, and we have long sought to get for our clients—people that we see on disability pensions, on parenting payments and on Newstart allowances—welfare reform that genuinely meets their needs and to assist them to get a share of the wealth of this nation and to be able to participate. We have long pushed those issues, especially for the 700,000 people on disability support pensions who will not get assistance from this package, for parents and for long-term unemployed people, in particular.

Therefore, we have analysed this legislation from the perspective of that framework and from the perspective of our clients, based on experience with our casework. To assist you and the Senate, we have asked and sought to answer three questions. The first question is: does the legislation do what the government has stated it will do or should do? The second question we have asked and will attempt to answer is: are there any problems with the legislation's attempts to do this that the Senate should know about? We hope to point out some of those problems to you. The submission addresses them. The third question is: given the problems that we will point out, to what extent will the legislation achieve the stated goal of increased participation in the work force? That is the big \$64,000 question—or the \$3.4 billion question, I guess—which we will come to at the end in summing up. I hope that in our concluding remarks we will get the opportunity to sum up in answer to that question.

I will go now to the first question: does the legislation do what the government said it would or should do? I point out that our submission focuses on the legislation rather than on the rest of the Welfare to Work package. We have left that to ACOSS—which is more than capable—particularly to look at the package, and we have tried to focus on an area that focuses entirely on the legislation. In fact, we have attempted to cover each of the schedules to the extent that they are particularly relevant. Of course, we have been limited by the impossibly tight timetable, so we have tried to do our best but it is somewhat limited. Despite the expertise of my colleagues here, the brains trust that has worked with this legislation every single day of the week with clients, it has been a struggle. I do not know how you are going to do it in the time available to you.

Let us answer the question: does the legislation do what the government said it would do? I think that largely the answer is yes but a whole lot more as well. It changes the disability eligibility, certainly, from 30 to 15. It introduces participation requirements for parents and people with disabilities. It expands the Newstart activity regime and makes that the template, somewhat inappropriately, as has been argued already—in fact, considerably inappropriately. Nevertheless, it does expand the Newstart allowance template regime to cover parents and people with disabilities who are being brought into the activity regime. It provides for lower payment rates, as it was indicated it would, and for harsher income tests than would have been the case had they been on a pension. Finally, it introduces a new compliance regime, which has been promised, some of which is a big improvement and some of which is good but which has some major problems.

In doing these things the legislation does contain a number of positives. We acknowledge these beneficial gains. I mention some in no particular order: the increase in the mobility allowance for some recipients; the easing of the harsh income test for Newstart for current Newstart and youth allowance recipients from 70 cents to 60 cents; the better two-year savings provision for disability support pensioner recipients who do get work; the extension of the parenting payment to step-parents where previously, even if the step-parents provided care to children while the other parent worked, they did not qualify; the introduction of the wage assist subsidies, although we have seen they are fairly limited; and the extension of the employment entry payment to certain recipients. I have restricted myself to the legislation and not other things that you might say are beneficial in the package. So broadly we say, yes, it does all those things, as the government indicated it would. But it does a whole lot more.

That takes us to the second question: are there problems with any of the proposals that the Senate should know about? I take you to our submission in toto, because largely it tries to take you through where we see problems with giving effect to what the government was seeking to do, whether or not we agree necessarily with all of that.

I want to highlight seven particular problems from our submission. There are a whole lot more in the submission and I hope you have the opportunity to read it. They are backed up in each case by cameos. The first point goes to the disability support pension, the DSP, eligibility or qualification criteria. This is not the Newstart for people with a partial capacity, but the remaining DSP. I am referring here to our submission at section 2, schedule 2, pages 5 and 6 and to the bill at schedule 2, part 1, item 3. The changes are much broader than indicated by

the minister and are contrary, in our belief, to his assurances that people with severe disabilities will still qualify for disability support pension under the proposed legislation.

The bill changes the qualification criteria by introducing a very wide definition of training activity. Our submission addresses this in much more detail—I am giving you the short, sharp executive summary here. Training activity is redefined in such a way as to make it very difficult for a person to qualify for disability support pension. It says that, where a training activity would enable a person to find work some time in the next two years, then that person is ineligible. It is a much wider definition. 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. In our view, the legislation as constructed is a problem. The bill says that, regardless of the availability of a training activity, if there were one and it would make a difference then you do not get the disability support pension. The Senate needs to take serious note of that.

The second point is about the alternative means for eventually qualifying for a disability support pension. I am referring to our submission at section 2, schedule 2, pages 5 and 6 again. The bill reference is schedule 2, part 1, item 10. According to the explanatory memorandum, this paragraph is supposed to refer to people who did not originally qualify for DSP because it was thought that, despite having an inability to work 15 hours per week in the next two years, they could nevertheless do so with a training activity. So they are not capable of 15 hours now, but, if you were to give them a training activity, they would be able to work 15 hours. So they do not get the disability support pension, despite the nonavailability of the training activity.

The provision is meant to enable these people to eventually qualify for DSP because after two years they still have an inability to work 15 hours per week, but it does not achieve this for people who do not have access to a training activity during those two years, thus introducing a real catch-22. Our submission covers it on page 5, our recommendation at page 6 endeavours to address this and the cameo that we provided, No. 1—for DSP section 94 and 94A—also addresses the circumstances of a person in a rural and remote community who has a capacity of less than 15 hours. It is said that they cannot have DSP because, if they were given some training, they would work. But, at the end of the two years, the person has not had the ability to undertake a training program because it was not available and, therefore, they still do not qualify for DSP after two years.

The third particular problem that we see in the way the legislation is constructed goes to the transitional arrangements or the savings or grandfathering provisions for the parenting payment. The reference in our submission is to clause 4.1, schedule 4, and it is on page 7 of our submission. The bill reference is schedule 4, part 1, item 6. 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, we are very concerned that 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 set out in item 6.

Under these arrangements, it includes virtually any change in relationship status, even from parenting payment single to parenting payment partnered, for more than 12 weeks, according to the explanatory memorandum. That 12 weeks is in the explanatory memorandum, but we cannot find it in the legislation. It appears that this will be left to a legislative instrument—another example of one of the many things that will be left to either the guide or to a legislative instrument. That was a fundamental savings provision given on budget night and given since, as we understood it.

It would appear that any change in relationship status would cancel out any right to return to parenting payment single, if it lasts for 12 weeks, and any cancellation of payment due to earnings. 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. The 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. There are two cameos under No. 2 about the transitional arrangements for parents. Our recommendation at the bottom of page 7 of our submission goes to address how you would remedy those savings provisions—those grandfathering provisions.

The fourth key point of concern that we are highlighting is about parenting payment participation requirements. We believe that there are serious deficiencies in these participation requirements. If you look to 4.3 of our submission, you will see our long list of concerns that we have set out. There is the removal of the requirement for written notice of what you are required to do and what you are required to enter into. There is no longer any requirement for that to be in writing. That is a serious undermining, in our view and from our experience, of a person's entitlements under the act. There is the removal of the reasonable steps to comply test. At the moment, you have to prove that you are making reasonable steps to comply with the requirements that have been negotiated with you or imposed upon you. That reasonable steps to comply test goes in this legislation and is replaced with 'you must comply'—no ifs, no buts. It is not, 'If you've made a serious and really good effort to comply'; it is, 'If you don't comply'—it becomes an absolute test.

There is a failure to include any upper hours limit in the legislation, despite the 25-hour assurance in the explanatory memorandum—that has been covered already and highlighted. It is not in the legislation. There is an inclusion of an open-ended provision for the secretary to require looking for part-time work of at least '15 hours or such other number as the secretary determines'. That is a serious problem in our view with the participation requirements, as has already been pointed out. It is opening it up to an enormous discretion on the part of the

secretary and closing down the ability to negotiate and to have agreed terms with the particular person.

A question from Senator Wong alluded to this point, but we can confirm that these activity requirements can be imposed for 52 weeks of the year—there is no such thing as a break, a respite or a holiday and there is no provision for a person to take any time out with their children, even at Christmas. For example, where they have a 15-hour per week casual job which does not operate over Christmas, they will still have to look for work during that break, because at all times under this legislation they must be satisfying the activity test, which is looking for work of 15 hours, or whatever is determined.

These provisions are inadequate and remove a range of sensible and important protections that are currently in the legislation. We have not seen in the explanatory memorandum or anywhere else what is wrong with the current provisions—which were so well-negotiated—that apply to parents in the *Australians Working Together* legislation. They are being removed and replaced with this one size fits all Newstart allowance, which is inappropriate for parents and people with disabilities. We have provided two cameos of someone under section 3, ‘Katy’ in two different circumstances. These look at the Newstart allowance and parenting payment participation requirements. One applies to the more than 15 hours per week requirement and the other to the relentless activity testing that can be imposed. We have recommendations at page 9 to address both of those deficiencies.

There are inconsistencies in the exemptions, an issue that has already been raised briefly. 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.

The DEWR submission at page 43 raises the question of ‘Jessica’ and ‘Luke’. I take you to that example and point out to you that if Jessica were single in that cameo she would get \$3,000 a year less because she would not get the benefit of the top-up. She would be exempt from activities but would not get the top-up. That is what would happen in that exact same example. They used an example where there was no payment problem, because they were both on parenting payment partnered, and so there was no difference in the allowance levels—the amount of money they were getting. It is not a helpful example in some respects because it hides the inconsistency that we have raised. We have set those issues out at 4.4 of our submission at page 9. We have recommendations set out at page 10. There is a cameo of ‘Mimi’ and ‘Patricia’ under the exemptions and top-ups in section 3 of the cameo document. Mimi, with one foster child, gets exempt from activity requirements and the top-up payment, whereas Patricia, who has four children, gets exemption but no top-ups. It is a bit hard to understand why those provisions are inconsistent and why a consistent set of provisions for exemptions and top-ups is not set out in the legislation.

Then there are the Newstart allowance participation requirements. Our submission reference is section 7 on page 12, which deals with schedule 7, and the bill reference is schedule 7, part 1, item 7 starting on page 38. Despite the extension of the Newstart allowance to primary carers, which include parents, and people with only a partial capacity to work—people with disabilities—we have in this new template, this brave new world set out in the bill, the RapidConnect structure which 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. 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, and we address that on page 12.

I will talk about Newstart allowance participation requirements. This legislation will see the removal of the negotiation of Newstart activity agreements, so they are no longer to be negotiated, as is currently required. The removal of the protections of the terms of the activity agreement that are currently built into the legislation through the current reference to a wide range of possible items that can be put in being replaced by a person having to undertake one or more activities ‘that the secretary regards as suitable for the person’ is a backward step. We cannot understand it, given that it is far better to be genuinely negotiating and having the commitment of a person to what is in their agreement.

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.

Section 7.3 of our submission, on page 14, looks at an agreement’s requirement for a person to only look for part-time work that the secretary regards as suitable for primary carers and people with partial capacity to work. To satisfy the activity test, the current range of activities has been removed and replaced with employment only. This is for primary carers and people with a partial capacity to work. A major flaw in the legislation is that it says that they will be required to look for employment only, and the other activities that may assist them to get employment, to build the base for them to be able to get employment, are gone.

The seventh and final thing I will talk about is the compliance regime. This has not gained much attention so far from what we have heard this morning. The reference is section 24 on pages 32 to 39 of our submission. I am going to refer to all of the various schedules—4, 5, 6 and 7—where this compliance regime is embedded. I have to concede, and happily so, that the front end of this new compliance regime has a lot to offer, and so it should. It is not the way it was announced on budget night, thank goodness; it has been modified through various negotiations, and it does represent a big shift from the punishment at the heart of the current

regime towards encouraging compliance. Indeed, if it works properly—although there are some problems—it may be that people will be able to comply without getting financial penalties up front. That is good. It is not meant to be about punishment; it is meant to be about encouraging compliance and reconnecting.

That is the front end, but it is still flawed, even in those front-end parts. It is possible for a person to get more than one hit, or participation failure, in a fortnight—not in the first fortnight; it does not matter in the first fortnight. The way the legislation is structured, if in your second fortnight you do not meet the requirements you are meant to be complying with that have been set for the first fortnight, you will be penalised. If you do meet your requirements your payment will be restored and you will not get a penalty. But in that second fortnight, if you fail once or even twice, you can have three strikes and eight weeks without payment follows from the beginning of the next fortnight. If, under this legislation, you enter the system on 1 July with one strike already to your name—the legislation, rather than giving a clean slate to everybody coming into the new system, brings across any penalties that you may have had under the current system, which is a very different system—within four weeks you could be up to three strikes and out for eight weeks. In our view, that is dangerous, unnecessary and counterproductive, and one of our recommendations is to address that provision.

But the fundamental flaw in the compliance regime is the eight-week penalty. It is a carryover from the current system and I put it to you that it has no place in this system, because it runs contrary to the aim of this system. Everywhere else in the document you see RapidConnect. You see that the aim is to encourage compliance. But if you knock somebody off their payment for eight weeks—and, as our submission shows, not only will it happen on the 4,000 occasions it currently does but it is likely to happen 17,000 to 18,000 times under this legislation, for reasons I will explain—it runs counter to the aim of rapidly connecting and encouraging compliance. If you have people off payment for eight weeks, how can they comply? They cannot comply and under the law they cannot be required to comply. So they are out of the system for eight weeks, having lost touch altogether, which is completely contrary to the aim of this system. We recommend that if you have to have a no-payment penalty it should be absolutely no more than two weeks as a third and final action. That is pretty unbearable, but anything else is going to run contrary to the whole aim of this system. If you do get an eight-week no-payment penalty, there is no provision, as there is in the current legislation, that if you then comply you can get your payment restored. That provision is gone as well.

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.

So we have made recommendations to address all of those issues in relation to the compliance regime, except for one we discovered recently—about the capacity to get three strikes and have more than one participation failure in a fortnight after the first fortnight. We would like to add a recommendation that the legislation be amended to ensure that you cannot get more than one participation failure in any one fortnight. It would still mean that you could stack them up in three fortnights, but it seems reasonable at least that if a person is trying to meet those requirements then the principle that is set out in the first fortnight should flow over to each other fortnight and only one penalty should be imposed. I will come back to the third question, but I think we need to throw that open.

CHAIR—We have limited time, so we need to press on. You have made a number of criticisms of provisions of the legislation, and we have to assess how valid they are in a fairly short time. But I am uncertain as to whether the criticisms are all fair. For example, you said about the legislation, not today but on ABC radio on 10 November: ‘If you were offered a job—any job, any positions—and you decline it, you will suffer an eight-week no-payment breach.’ That does not accord with what we have been told about the legislation—that there are a number of factors that can be legitimately taken into account by Centrelink in not breaching a person in those circumstances. Do you stand by that statement?

Mr Raper—I have studied that transcript, particularly given Minister Andrews’ media release on that issue. I am not standing by it entirely, but it is almost correct. I think it would have been more accurate if I had said something along the lines of: ‘If you are offered a job—almost any job.’ It is true: the legislation does provide that you have to accept a job so long as it is suitable. We had not seen the legislation at that point. It does say ‘suitable’, but that is not much of a protection. On our reading of what is suitable, it is still the case that many jobs, despite the fact that they may well entail very low conditions given the new IR legislation, may still have to be accepted or you would suffer an eight-week loss of payment. Suffice to say that if you do not accept a job that Centrelink considers to be suitable you will lose eight weeks payment. If you finish employment, either because you are dismissed for misconduct or you resign, and Centrelink thinks that you are voluntarily unemployed—and the legislation says ‘directly or indirectly’ voluntary—

CHAIR—Can we come to the question of resignation in a minute, as I want to put a question to you on statements you made about that in the same interview. On the question of refusing a job you say that it is almost the case that a person will be breached for failing to take a job that is offered. With respect, that does not seem very fair. If a person does not have the appropriate skills to take up that position, they are not required to accept the job. If they do not have the qualifications for the job, if they cannot take up the job on the basis of being able to commute within a reasonable time to the place or if they are required to move their place of residence in order to take up the job, they are not required to take it up. If they do not have access to appropriate child care they are not required to take up the job. These are quite extensive exemptions which really cannot be characterised as saying that people are almost compelled to take any job they are given.

Senator WONG—Is a question that you want to put also that you are removing the award as a basis for suitable work, Chair?

CHAIR—Senator, we can have a debate across the chamber if you want—

Senator WONG—These people have spent—

CHAIR—or we can ask questions of the witnesses.

Senator WONG—Is this a question on the legislation?

CHAIR—There is a limited time to do this. With respect, you will have a chance to ask Mr Raper questions in a moment. Mr Raper, do you stand by the statement that it is almost the case that you have to take any job that you are given?

Mr Raper—I have to concede, I acknowledge, that the legislation defines ‘suitable employment’ and that you will not suffer an eight-week penalty or no payment if you refuse a job that Centrelink agrees with you is not suitable. Nevertheless—and this is the most helpful I can be to the Senate, I am sure—there is an eight-week penalty—and my point is about the eight weeks—if you do not accept a job that Centrelink regards as suitable for you. My point is about the eight-week penalty.

CHAIR—That is fair enough, isn’t it? Isn’t it fair that you should be defaulted if you do not take a suitable job?

Mr Raper—Even if you are, my point is about the eight weeks. How can eight weeks be of any assistance? It is the eight weeks that is taking a sledgehammer to crack a peanut. It is the eight weeks that is the problem. No-one I have heard can justify the eight weeks. No-one certainly in the sector and none of the church charities that will have these people on their doorsteps without payment for eight weeks can see how in any way eight weeks can help. That is my point.

CHAIR—You also said in the same interview:

If you are in a job and you resign because the conditions are down-graded, you will get no support from Centrelink for 8 weeks under these provisions.

Do you stand by that statement, because it seems to us, again, not to accord with the advice we have been given?

Mr Raper—Under the new industrial relations provisions, as I understand them, your employer is entitled to seek for you to sign up to an AWA, is entitled to in fact reduce conditions at the end of the enterprise agreement period. If they do seek to downgrade the conditions and you find those conditions are unsuitable to your family and your needs and you resign, you will not be able to get support from Centrelink for eight weeks.

CHAIR—If the conditions do not comply with the Australian fair pay and conditions standard, you certainly have no—

Mr Raper—I do not wish to put myself forward as an expert in the industrial relations legislation.

CHAIR—But you did on the radio on 10 November, with respect. You are a person with some authority in the welfare sector in Australia. You purported to make representations about legislation you had not actually seen at that stage, and you said that a person would not be able to refuse it on the basis of it being downgraded. With respect, that is not true, is it?

Senator WONG—That is a matter of opinion, Chair.

Mr Raper—I do not resile from that statement, Senator. My point, again, was the eight weeks. What I am saying is that, without the full knowledge of the industrial relations, what I am aware of is that there are some five conditions only to remain under the Fair Pay Commission and that it will be possible for a person to have their conditions downgraded, and if that person does have their conditions downgraded and they resign it remains a fact, does it not, that they will not get any support from Centrelink? If they were to go to Centrelink and Centrelink determines that person to be voluntarily unemployed, they will not get support for eight weeks from Centrelink. That remains.

CHAIR—Of course it is possible to have circumstances where you resign and are defaulted. My point is that you are saying in any circumstance where you resign you will be defaulted, and that is not true. There are circumstances where you will be protected. Isn't that the case?

Mr Raper—Do you mean the five conditions in the—

CHAIR—Yes, for example.

Mr Raper—Yes, but I did not say that.

CHAIR—You did, actually. You said that if you are in a job and you resign because the conditions are downgraded, you will get no support.

Mr Raper—That stands correct.

Senator WONG—That is correct.

CHAIR—I will debate that later.

Senator WONG—There is less protection under the fair pay and conditions standard than under the award, so that is a downgrade.

CHAIR—We can have that debate another time, Senator Wong.

Senator WONG—I am sure we can.

CHAIR—We have conducted the proceedings so far by not cutting across each other's questions. I am happy to change those—

Senator WONG—You are playing a political game with the National Welfare Rights Network about what he said on the radio.

Senator BARNETT—Senator Wong, you have been debating with the chair. Ask your question, Senator Wong.

Senator WONG—If I could finish, some of us are interested in the legislation and would like to get on with that.

CHAIR—I am asking about the effects of the legislation.

Senator WONG—This is not about the legislation. You are having a go at him for what he said on the radio.

CHAIR—We have conducted these proceedings on the basis that we will not cut across each other. If you want to change that rule, that is fine. I am happy to play by those rules as well. So make up your mind about that.

Mr Raper, in this document ‘Getting the “welfare to work” package right’, which I think was a supplementary submission, you say that, with the provisions for people moving off parenting payment and into the work force and then having to go back, if they go off payment for more than 12 weeks for any reason then they will come back to the lower Newstart allowance. You say that up to 50,000 parents are likely to be affected over three years by those provisions. We have heard that only about 110,000 parents are likely to make the transition from parenting payments to Newstart under the effect of these provisions. You are suggesting that up to half of them will lose that safety net of coming back after 12 weeks. What is the basis for that statement?

Mr Raper—You have given only one way in which those savings provisions might apply. There are many other ways that a person would not be able to stay on payment if they were off payment either through earnings for 12 weeks or if their relationship status changed. We have addressed the issue of where they try to reconcile with their former partner, the father of the children. So it is any relationship status change or indeed any earnings. So over three years—and I am not sure whether your figures are for one year or three years—

CHAIR—Say the three years.

Mr Raper—our figure, when you take all of those factors into account, was that up to that many could be affected.

CHAIR—What is the basis for suggesting that figure? It could be up to any figure.

Mr Raper—No, it is an estimate.

CHAIR—What is the estimate for it being up to 50,000 parents?

Mr Raper—It is an estimate based on the number of parents in those situations. The current incidence of relationship status change—people in and out of parenting payment single and parenting payment partnered—and people attempting over the next three years to enter the sorts of circumstances that we have indicated, would mean that the savings provisions would not apply to them. Originally, on budget night, the undertakings that were given to the public were that people currently on payment would be saved. Now we have this fiction of parenting payment single being a separate payment to parenting payment partnered, and we have a limit down to 12 weeks in either income earning or relationship status, neither of which was indicated in the original assurances. I think it is fair for us to point out that tens of thousands of people could be affected by these provisions and to ask DEWR to give us the figures that they have hitherto refused or been unable to give us.

CHAIR—I simply invite you to take on notice the question of how you have reached an estimate of how up to half—

Mr Raper—I would be more than happy to detail it.

CHAIR—of the people making this transition are likely to be affected by those changes.

Mr Raper—I would be more than happy to take that on notice and to provide that detail to you. I can assure you that most of our estimates are then discounted by a factor of some 10 or 20 per cent to make them as conservative as we think is reasonable.

Senator WONG—Can I turn to the seven issues that you went through, Mr Raper. Do I address questions to you and then your colleagues can jump in?

Mr Raper—Yes.

Senator WONG—My question is about eligibility for the DSP. Can you explain it again—or perhaps more simply, because I could not follow all of it. Concerning the removal of the local labour market reference in the current eligibility criteria and the reference also to prospective training, do I understand your proposition to be that essentially what people will be measured against is a hypothetical capacity, on the assumption that they are going to get certain training, without having an exemption if they cannot get that training? Is that a simple way of putting it?

Mr Raper—That is essentially correct, but I might give somebody else a go now.

Ms Finlay—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, at the end, you still can’t work 15 hours a week or more you go onto Disability Support Pension.’

Senator WONG—Sorry, is that the current situation?

Ms Finlay—No, that is how the bill reads: ‘We will assess you; we think there is a bit of training you could get there; at the end of two years of that training, we will reassess you and, if you still have not got to that 15 hours or more capacity, we will put you on disability support pension now.’ But the key thing is that it requires that training to be available. It does not have a scenario where that training is not available. Think of this case: they say to you, ‘With a bit of training, in two years you could get there,’ and then they turn to you the next day and say, ‘Sorry, but we have not got the training,’ you will remain on Newstart until, if ever, that training becomes available and they have a two-year period to assess you on that training.

Senator WONG—Hence the cameo of Jamie, the Indigenous community person.

Ms Finlay—That is right—in Walgett. So, unless something specific comes along for Jamie in that area, he will be on Newstart—notwithstanding that he does not have a capacity to work 15 hours or more a week.

Senator WONG—How does the regime comprising the new sections 94 and 94A differ from the current situation? Obviously, there is the 30 to 15 hours, but in relation to this issue—of hypothetical capacity, I suppose, is the way I would describe it—how does it differ?

Mr Raper—It is set out very clearly. I am only saying that so that you have got something to go back to when Melissa actually gives you the shorter answer for the question. It is set out clearly in our submission—so you will have some detail to go back to. But it is complex.

Senator WONG—Obviously, I am not sufficiently across this to grasp it clearly, Mr Raper.

Ms Coad—The biggest change is that, currently, a person's ability is assessed on the hours, which has obviously changed, but also whether they could undertake some sort of training that would get them to be able to work in the next two years. The current legislation specifically excludes disability-specific training from that assessment about whether a person could undertake training in order to get them up to a point where they could work. This bill states that disability-specific training is included. So what you are looking at now is whether a person who currently does not have the capacity to work 15 hours could undertake disability-specific training that would enable them to get over that 15 hours. And that is probably the biggest change—that it has now included—

Senator WONG—And the reason for that being the biggest change is that it creates a hypothetical increase in capacity: that—

Ms Coad—And I think the key thing—

Senator WONG—your entitlement is that—

Ms Coad—is severe disabilities, because—

Senator WONG—Sorry, can I just finish—that your entitlement would then be assessed against; your entitlement to income support?

Ms Coad—A hypothetical training opportunity.

Senator WONG—Yes.

Ms Coad—And because it takes into account disability-specific training, it is going to exclude a whole lot of people who used to get on because, previously, if you had a severe disability it was only going to be disability-specific training that would get you ready to work. Generic training was not going to be enough. By sticking that in, it is possible the government is restricting a whole lot of people with really significant problems.

Senator WONG—From accessing—

Ms Coad—From accessing DSP ever, basically.

Senator WONG—I turn now to the local labour market reference that is in the current legislation. As I understand it, that means you have to look at the local labour market conditions in certain circumstances. Could you explain how that has changed?

Ms Coad—It has gone.

Senator WONG—Could you explain what the effect of the change is?

Ms Coad—The effect of it is that you might be living in a small town or a regional area and, if there is a job you could do, it does not matter if it is 2,000 kilometres away; they are not going to take into consideration whether those sorts of jobs are available where you live. So, again, it puts a hypothetical test on people. It is not just about what they might be able to do where they live that can be reached; it is that, if they could undertake something that exists anywhere in Australia, then—

Senator WONG—So Ms Coad, do I have this right? Currently, if you are over 55, when you are looking at the two year capacity, there is the reference by Centrelink to the local labour market conditions. So it means that someone in Newcastle or Bundaberg or

Rockhampton—I do not know what the local employment figures are like there—but somewhere where there is a higher level of unemployment—

Senator McLUCAS—Wide Bay.

Senator WONG—Or Wide Bay; I know they have high unemployment. Currently, that would be relevant for the purposes of determining whether they go onto Newstart or DSP—correct?

Ms Finlay—Yes.

Senator WONG—And what the government has done is remove that?

Ms Finlay—Yes. Presumably the basis was that if you are over 55 you have fewer years to skill up to get employment that is appropriate in your area. That is different to a 20-year-old, who has a long period of time in which they can retrain and reskill.

Senator WONG—Very briefly, I do not know if you were here for DEWR's evidence where I asked if the 25 hours per week meant that people would have to take a job of up to 25 hours per week—obviously subject to the suitable employment requirement. Is it your reading of the legislation that there is a requirement for 25 hours per week work if the job offer is made, subject to the suitable employment provision?

Ms Coad—The legislation does not specify 25 hours. The 25 hours is in the explanatory memorandum. I do not know the exact wording, but the legislation says that hours may differ from the hours that a person has agreed to in their activity agreement. A parent or a person with a disability on Newstart would have seeking work of up to 15 hours in their agreement, but that provision allows the secretary to determine that they may be required to accept other hours different to that. The 25 hours is not reflected in the legislation. It is certainly of concern to us that a person could be required to take up to 25 hours. It does still say part time, but part time, presumably, is half an hour less than full time.

Senator WONG—Is it your understanding that on top of the 25 hours participation requirement there is the additional 150 hours over 26 weeks mutual obligation activity?

Ms Coad—Yes.

Mr Raper—The cameo that I think we mentioned about Katie goes to that issue as well. That is where she is on 15 hours and they offer 25 hours and she has to take it.

Senator WONG—Sure. I think Senator Humphries asked you a little bit about this so I will not go into it, but essentially with the transitional issue you are looking at the whole range of ways in which people can come off parenting payment for a short period of time. Is that right?

Mr Raper—Yes.

Ms Finlay—Yes.

Senator WONG—What was the reference to 12 weeks, Mr Raper? I did not quite understand that in this context.

Mr Raper—I was saying that the legislation seems to imply that if you have a relationship status change you will instantly no longer qualify. The explanatory memorandum and the

DEWR submission say that that is as long as that lasts for 12 weeks. But the 12 weeks is not in the legislation. We cannot locate the 12 weeks anywhere in the legislation.

Ms Finlay—The legislation is far broader than that. It just says that if a person's circumstances change they can be deemed no longer to be saved under the transitional arrangements. What circumstances is to be set out in legislative instruments. So, in fact, there is no detail at all in the act. The explanatory memorandum has about four scenarios, and it is the scenarios that refer to the 12-week period of savings.

Senator WONG—Do you have anything to say about the domestic violence provisions?

Ms Finlay—Where to start? I think that is a really good example of where DEWR has, basically, done a cut-and-paste of applying the Newstart provisions to everyone—to parents and people with disabilities—without taking into account any regard as to whether they now apply to these new groups of people. Currently, Newstart allowance has very few parents on it, except for the example you raised earlier about the father who has 45 per cent care. But very few people on Newstart would be parents with children. There is the restricted provision of domestic violence that might have been appropriate for that group of people, but we would say clearly it is not appropriate for this new group of people, who are basically parents. The fact that it is so restrictive is contrary to all the other types of exemption; they are very broad. We cannot see the basis for the restrictive three criteria that you outlined earlier.

Senator WONG—You must deal with people in this situation through your work. Can you foresee some difficulty in the current narrowness of the domestic violence exemption?

Ms Finlay—Yes. For a start, it only covers domestic violence; it does not cover other types of violence. That is very restrictive. With the time period, there is the additional problem with victims of violence going into Centrelink offices to discuss it and being asked the date that violence last happened. That process of people having to prove those three criteria can be distressing. Another thing is that DEWR said that domestic violence would an example of a special circumstances exemption that will be in the guidelines. But the risk is that if the legislation specifically refers to something like domestic violence then you run the risk of tribunals interpreting it such that the general discretion cannot cover domestic violence, because there is specific legislation on that point.

Senator WONG—I did not want to get into a legal argument with him, but I understand the issue. Very briefly: you are obviously people who have a reasonable knowledge of the current system. How hard, in the time frame, has it been for you to get across the actual effect of this legislation?

Mr Raper—Extremely difficult. We had people around the country and in our office doing sections of it over days and days and into the nights, to try and pull together a submission that would assist the Senate's analysis. It has been virtually full-time. Not that we have a lot of people—we have got about six or eight people in our office who were able to get on with this while we kept up the casework, and we have other people around the country. 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 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.

Senator WONG—One final question: on page 20 you refer to the restriction of access to JET child care subsidies to one year only. You may want to take this on notice, but I could not find where that was. It may well be in the EM.

Mr Raper—Down the bottom of page 20?

Senator WONG—Yes.

Mr Raper—It might be best to take that on notice.

Senator WONG—Sure.

Mr Raper—We will double check that.

Senator WONG—Thank you.

Senator BARNETT—Can I ask a policy question: do you believe it is better for somebody on welfare to accept a suitable job or to refuse the work and stay on welfare?

Mr Raper—It is easy to answer that. In the vast majority of cases it is probably better to accept the job. We made that very clear from the outset. We have been trying to get genuine welfare reform that keeps people able to survive and look for work and go—

Senator BARNETT—Why not all cases?

Mr Raper—Some jobs just may not be suitable in these circumstances—

Senator BARNETT—I said a suitable job.

Mr Raper—I understand that—suitable in terms of the legislation. And in the vast majority of cases that is going to be fine but I am just qualifying it to say that in some cases it may not be suitable. I would not be encouraging anybody in this direction. The general thrust of what you are saying is accepted.

Senator BARNETT—Earlier I thought I heard you say that under this bill a person is required to seek work on Christmas Day. If that is the case, can you clarify for us where in the bill that requirement is set out?

Mr Raper—Actually what I said was that even during the Christmas period a person must look for work. We have given a cameo example of a person who has casual work of 15 hours per fortnight—and the factory or the shop that she works at closes down for the three weeks over Christmas. The boss wants her back at the end of that three-week period. She seeks to take her children off to visit their grandparents but Centrelink is entitled to—and, DEWR informs us, will—insist that that person in fact stay and look for work. While she is on payment she must qualify every fortnight—the activity test requires that. There is no respite; there is no break. They must satisfy the activity test requirements of looking for work or working at least 15 hours every fortnight. So, despite our incredulity, that is the assurance we have been given.

Senator BARNETT—Sure. I have only got time for one more question. You have indicated that 20,000 people will be getting no payment for a full eight weeks, according to the *Courier Mail* on 11 November. You say ‘We estimate that that would go up to 20,000 a year—people getting no payment for a full eight weeks—because of the way that the

Government under this legislation has redefined the offences.’ Can you clarify how you came to that figure?

Mr Raper—Yes. Our methodology is set out in the submission itself, under section 24. The numbers are there. The total figure we reached is downgraded a little because DEWR contested the figure of 20,000. Our figures are all set out there. Based on the breach rates for the last 12 months, which have only just been published by DEWR, and identifying all of those offences that are currently subject to a rate reduction breach but which in the future, from 1 July, will become subject to an instant or immediate eight-week breach—taking all those numbers and adding in the 3,800-odd eight-week third breaches that occur at the moment—we believe it could be 20,000. But DEWR said they do not think it is that high, so we downgraded that. As I said, we discount by 20-odd per cent to try and make sure that it is a conservative and sensible estimate. But the figures are there.

Senator BARNETT—So it could be as high as 16,000, according to your report.

Mr Raper—Yes, because you are adding in all these misconducts: being voluntarily unemployed, refusing to undertake full-time Work for the Dole or knocking back a job offer. All of those will become immediate eight-week no payments. Again, I stress the point that it is the eight-weeks that we are arguing here. We believe that an eight-week penalty will be counterproductive and will not help and that a two-week penalty is tough enough—let me assure you—for people on \$200 a week, or \$240 maximum. You would not actually have them out of the system for eight weeks.

Senator BARNETT—Yes, we have got that.

CHAIR—We have really run out of time. If we are going to keep to this afternoon’s program, we are going to have to move off and take our lunchbreak.

Mr Raper—I realise I am pressing my luck here, but I indicated there was a third question I would come back to in summary if you would let me at the end. Do you have a minute?

CHAIR—A minute sounds fine, yes.

Mr Raper—The third question was: given these problems, to what extent will the legislation achieve the stated goal of increased participation in the work force? As much as we seek that goal and have hoped very much and invested in this legislation over the 12 months since the government announced it was likely, our answer to that is that we believe the answer for some is yes, but at great cost in the meantime and, for most, no—similarly, however, at great cost in the meantime.

On the reasons we fully support the submission of ACOSS, I take you to those four points. The second reason is that it constitutes the most significant downgrading or retrenchment of income support provisions since the introduction of the act because of the downgrading of payments, the income test and the effective marginal tax rates that will be imposed on people. The third is that it represents a major shift from parliament to the bureaucracy—you have heard DEWR and us point out in so many places it is no longer in legislation but in the guide.

The fourth part of the explanation is that the legislation contains significant work force participation disincentives, regrettably. They could be fixed. They can be amended. The pension income test is a far greater disincentive. ACOSS has given evidence to this effect. It

contains a seriously flawed compliance regime that will inflict gratuitous harm and cause unnecessary damage, and that is the eight-week provision. That too could be amended, and I urge and request you to amend that so that we do not have to conclude that it is only going to help some and harm many others when it does not have to be that way. I thank all senators.

CHAIR—Thank you, Mr Raper, and thank you other representatives of the National Welfare Rights Network.

Proceedings suspended from 1.23 pm to 2.09 pm

BLACKWOOD, Mr Alan McKenzie, Manager, Policy and Community Partnerships, Multiple Sclerosis Australia

EACOTT, Ms Sharon Maree, Advocate, Multiple Sclerosis Australia

SANDERSON, Dr Wayne Alexander, Head of Services, Multiple Sclerosis Australia

CHAIR—Welcome. I remind you that evidence given to the committee is protected by parliamentary privilege and that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. We have your submission, which we have numbered 40. Given the relatively short space of time we have had to call for submissions, we thank you very much for a comprehensive submission. I invite you to make an opening statement before we proceed to ask you questions.

Mr Blackwood—I thought we would split our opening statement into three parts: I will summarise our submission, Wayne will talk a bit about MS and how it affects employment and Sharon will then give a personal perspective. Thank you for the opportunity to submit. Like the others, we have struggled to look at it in detail in time. The submission has been written by way of an analysis of the explanatory memorandum. We have not really had time to go into the legislation, but our thinking was that the EM had been written in conjunction with the legislation.

We are putting a position that is probably a little narrower than those put by other groups. MS is a chronic progressive condition—and Wayne will go into a bit more detail on that—and most of the people who will be entering the welfare system will be doing so while they are working, or just after they have left work, or during an absence from work. The bill, as we have said in the submission, is very much one-way traffic. It is getting people from welfare into work, and at every corner there are provisions to provide incentives and penalties for people who are not working to get them to work. We have people who are going in the opposite direction: we have people who are skilled, often in professional capacities, who are trying to cling to engagement in the work force. Sometimes it is possible to renegotiate to get part-time employment; other times it is not.

We have some graphs in the submission from a recent Access Economics report that highlights that people with MS work part time more often than other groups in the Australian community but also pull working age welfare more often as well. From that you could suggest that people with MS are working part time and receiving a welfare top-up more frequently than other groups. It is actually a very common outcome for somebody to be working part time and with a partial disability support pension. The way that the bill is written it looks like that will no longer be possible, that people will have to go onto Newstart for income support. And all the compliance regime and participation requirements that are actually designed for people to move in the direction of welfare to work will also apply to people going from work to welfare or settling in the middle, with work and welfare, when in fact the participation is not possible. So you have an incentive regime and a compliance regime that are completely irrelevant to the situation.

A better incentive regime would involve supporting the person to maintain their employment as long as possible. That is probably somewhere else in the package, but it

certainly seems to be a very unrealistic approach to supporting that position of trying to extend your working life as much as you can. We mention in the submission that, based on the Australian MS longitudinal study, 80 per cent of people with MS lose their employment within 10 years. Given that the average age of diagnosis in Australia is around 29, you have got people at the peak of the career-building and family-building phase of their life, they will have mortgages and some of them may be studying. It is a critical time to protect that, because it is a long time out of the work force—from, say, 40 onwards there is a lot of potential work that is lost—and it is a long time to be living with an unrealistically low income support payment.

Dr Sanderson—I would like to draw the senators' attention to some definition material which I think is crucial to an understanding of the nature of MS, the scope of types of symptoms and clusters of symptoms—it is not simple; I wish it were; it defies the understanding of many of us around the world—and, of course, the impact on people in relation to their employment.

A brief way of doing this is to refer to page 3 of our submission. There we see the main symptoms listed under 2.1 under the heading of 'Background'. These are the most commonly occurring symptoms: visual disturbance, fatigue—as an aside, I would mention that it is chronic fatigue, in most cases. If you live in the northern half of Australia your fatigue issues are very severe for eight months of the year. If you live north of Rockhampton they are discernibly worse. Also, pain of various kinds—too many to mention here. The list continues:

... reduced mobility, incontinence and coordination, cognitive impairment, and mood changes ...

I want to move now to indicate to you that we usually consider these as the main clusters of symptoms for people with MS. The one that is the least difficult to live with is that five per cent of people have a benign form of MS. Their main concern is going to be very serious levels of fatigue after the age of 50. That is a common cluster of people, but only five per cent. They will never be in wheelchairs; they will not have the degree of loss of strength in limbs and so on that others have.

The biggest category by far accounts for 55 per cent. They are the relapsing, remitting group—people who have plateaus of remission from their symptoms. The plateaus vary in length of time. There are some immunotherapies developed which can give symptom relief and extend the length of plateaus of remission. They are very beneficial. Thank you, PBS, for the support that is given there—may it continue; it is giving great value to a lot of people.

Two other smaller categories include primary progressive, which is probably the most tragic because it means exactly what it says—from onset and diagnosis soon after, commonly people in their early twenties, continue to go down hill and there is no relief. Such a person is probably not able to work, well within that 10-year period. It is more like five years for such a person. Finally, there is secondary progressive. That is a person who has had relapsing or remitting for perhaps decades. They could be in their late 50s before they then experience secondary progressive. They just go down hill with no remissions from that time on.

In concluding my part in this opening, I would like to say: please understand that we are talking about a progressive condition. People do not get better; they just keep getting worse. That is what we are dealing with. In Queensland, of the 2,300 registered clients with whom

we work, the common experience with those who are currently in employment is that there is a real tenacity, a real spirit among them to hang onto those jobs, to stay in the workplace. People go to extraordinary lengths in order to do that.

Ms Eacott—I am here as a person who has multiple sclerosis. In the five years since I was diagnosed life has become interesting. I am never quite sure in the morning whether my legs will work when I get out of bed. I find out fairly quickly when I hit the floor. I want to keep working. We all want to keep working for as long as we can. Most people with multiple sclerosis are diagnosed at a time when they are starting their first big job out of university. They may have started a family; they may be planning to start a family. They may have a mortgage. They may have many things that they want to do, but there is no way of knowing if they are going to be able to work next week, let alone next year.

Reading the explanatory memorandum to this bill, I was very concerned when the assessments were mentioned. I wonder whether an assessor would be able to tell whether I can work in two years time. My neurologist cannot tell me that. How do you assess people? Most of the symptoms in MS are totally invisible. You cannot see fatigue. Many people just think that you have had a big night out. You cannot see pain. I have shocks in my hands, like the ones you get off a car, two to three times a minute through my fingers. You cannot see them but it is a very real pain.

I need medication to help control the symptoms. I take six different types of medication. I have 20 tablets and one needle every day. If I were to stop taking any one of those drugs, I would be unable to work. That is how linked it is. The only way for me to go is down. Coming to terms with that is very difficult but I want to keep working for as long as I can. I need assistance. I need support. I need to feel that the country wants me to keep producing. Otherwise it is a battle for no reason at all.

I guess what I would like to put to you all is that disability does not mean no ability. People would like to keep producing. They need to know that if they get a job and they have a relapse that may take several months to get over that they will actually have a job at the end of that. That does not seem to be possible now. We need to encourage our employers to keep people in work for longer. We have incentives to get people out of unemployment and into the workplace but we do not have any to keep them there. Welfare to work is a wonderful thing. We need to get people working, doing what they can when they can. But we also need to recognise that some people cannot keep working at the same level, that they may appear at an assessment as totally healthy and full of life but that is because that is all they have done that day. After a 20-minute commute on a hot train in Melbourne they would be unable to work once they got to the office. It is that simple and it is that frightening.

We need to be sure that what we are doing is not a one-size-fits-all approach. We need to be able to be flexible in order to deal with the different circumstances of every condition, not just multiple sclerosis, because that is the way we will have a more productive work environment. People do a hell of a lot more when they are comfortable and secure in their own positions, places, homes and communities than they do if they are constantly worrying about how they are going to afford to pay the next bill. If they have been buying medication with a concession card, something that you would have bought for \$9.90 once you hit the PBS safety limit

would now cost just under \$60. That is a tank of fuel as a difference. These are the things that we are most concerned about.

CHAIR—Thank you very much for that succinct opening statement. I think that I speak on behalf of all the members of the committee in saying that we would all regard it as very regrettable if people in positions as described by Ms Eacott are affected adversely by the package of legislation that the Senate is considering. Where we differ is the extent to which it will necessarily do that. My understanding is that the legislation is designed particularly to be able to address the position of people who are less clearly incapable of working and who make up a very large proportion of the present DSP recipients.

I understand, for example, that the most common conditions affecting those who are claimants of DSP at the present time are musculoskeletal conditions—things like bad backs and so forth—where there is no way of proving that pain exists, as Ms Eacott just described it, but there would be argument or doubt about the extent of that person's capacity to work. What that leaves us with is a position where a great many discretions are built into not so much the legislation as the capacity to make guidelines under the legislation. Ms Eacott, I forget how you put it, but you spoke about the need for there to be a range of reactions and responses to people's particular circumstances.

Ms Eacott—Yes—flexibility.

CHAIR—It seems as if the government has tried to respond to that by creating large amounts of discretions on the part of people within the department or Centrelink as to how people are treated under the package. Is there anything in the legislation which inherently requires a person with MS to move into work participation? I realise there are lots of grey areas from your point of view. Is there anything in the package which necessarily requires a person to take part in the work force when in fact they have the kinds of disabilities brought on by MS that Ms Eacott has described?

Mr Blackwood—Most of the people we are talking about are already working over 15 hours a week. From our reading of the explanatory memorandum and what we have heard about the legislation, there is no such thing as partial DSP anymore. If you have the capacity for over 15 hours per week then you go into Newstart. We have people who are already working 15 hours a week. They cannot prove that they cannot work 15 hours a week because they can. It is about that level of income support in Newstart. It may be that the secretary might determine that the participation requirements are waived in that case, but, as we have detailed in a couple of case studies, if you combine the lower benefit with the marginal tax differential that exists with Newstart, it is quite stunning how much people will be losing when you compare the pre-July 2006 people with the post-July people. They are already earning. It might be that they are doing 20 or 25 hours a week in a fairly senior job, potentially, and needing DSP top-up. They have a lot to lose. I think that is why we are recommending that the legislation still allow partial DSP for people who have no further capacity. Clearly, if there is capacity then the Newstart conditions might be more relevant, but, where someone has no further physical or emotional capacity to work, there has to be DSP.

CHAIR—Can I put it to you that there is another interpretation of the legislation—that is, the test is not whether you are capable of working the 15 hours a week now; it is a question of whether you are likely to be able for the next two years to be able to work an average of 15 hours a week. In fact, that situation is the very thing that is picked up by the test. A person like Ms Eacott, for example, cannot be sure that, in two years time, she is going to be able to undertake that work given the degenerative nature of the condition. You say in your submission that the test of two years is too long. With respect, I think it needs to be at least two years in order to be able to say, ‘We are not just talking about the here and now; we are talking about any time in the next two years.’ If you have a degenerative condition, that is the kind of projection forward that you need to take into account when assessing whether the person has the capacity to work now.

I realise that a great deal depends on the way it is administered, but if the system is designed, as it appears to me to be, to say that you have to project your capacity to work for quite a long time into the future and if you cannot confidently predict that—if you have a condition like MS which is likely to result in a deterioration in your capacity to work—then you are not going to be caught up by the requirements to participate. If that is the way it is interpreted, would that be a reasonable response to the people of your community?

Mr Blackwood—As long as it is interpreted that way by every assessor and every Centrelink officer. We know currently that that does not happen, because of what Sharon was describing: looking fine, being able to communicate and potentially having to go back to work after your Centrelink interview. We have a lot of instances where people say that the Centrelink person says, ‘You look fine to me.’ Even some of the examples mentioned in the EM are quite conservative and harsh interpretations of the legislation where someone thinks that some time in the next two years you might fall over the line. That is why I think that, if there are some very clear riding instructions given or some guidelines that say that in every case you will do this, that might be okay—but if that is required then we would prefer to have it in the legislation.

Dr Sanderson—We would be looking for a degree of refinement in the assessment capacity—the process, the instrument, the CWCA—that does not appear in there at this time. We do not know whether that is work in progress and we are going to hear a lot more about that or whatever, but we would certainly want that. We are also pretty clear that, given the shifts and changes that take place in a person’s diminishing capacities, the opportunity to make significant use of neurological opinion—current neurological review opinion, of course done by a neurologist—is quite crucial in the whole exercise. We would want a bit of clarity about the extent to which that would be possible. We are looking for those things

Mr Blackwood—People have a fair bit to lose. In the submission, I think we talk about the longitudinal study, which says that 70 per cent of MS maintain private health insurance, even as part-time workers. If there is a break when there is a dispute with Centrelink, where somebody has been put onto Newstart and they are losing that amount per fortnight, it may mean that their insurance has to go. To rejoin, a person has a pre-existing condition and so it places limitations on them. So it is those kinds of things. People cannot afford to have administrative hiccups because there is just too much at stake. Sharon mentioned pharmaceuticals. There are a lot of things that need to be kept in fine balance.

Ms Eacott—There is also the need to maintain some kind of quality of life outside of work. If you have enough energy to do your 15 hours a week but you do not have any energy to do the washing up or play with the children, it is not a life, it is just an existence. We need to allow people to live as well as to work. It is something that is very difficult to understand unless you are actually in the workplace trying to keep up with what everybody else is doing and finding that you cannot go down and get a coffee because, if you do, you will not have the energy to continue for the rest of the day. It would be great if we could somehow manage—and I know it will not be easy—to find a happy medium between the two, where people can continue to give to the country not only by working but also by being people. There does not seem to be much scope for that within this bill. It is a case of: ‘If you can do the hours than you will do the hours. What happens outside of that is none of our business.’ That is just not the way to be.

Senator WONG—I am trying to be brief because we are obviously under a fair bit of time pressure, but thank you for making your submission. I would like to start with this proposition. Is the issue about which you are concerned that a point-in-time assessment, given the progressive consequences of having MS, may in fact mean that the assessment is not relevant at some point down the track to the person’s actual capacity?

Ms Eacott—Yes.

Senator WONG—Mr Blackwood, some might say that that happens under the current system but, obviously, under this system the consequences of getting it wrong are far worse, whereas before full-time work or not full-time work was a broader and easier test. I suppose it is an easier test in terms of eligibility. But, when you are dealing with fine distinctions between 15 and 30, how easy would it be for someone with MS to be assessed at one point in time as being over the 15 hours but then, well within the two-year period, their capacity diminishes substantially?

Mr Blackwood—The way we read the assessment is that it does not give people the benefit of the doubt. If at some point six or 12 months down the track the assessor thinks you will be able to work 15 hours—maybe because you are doing some rehab or starting a new drug—then you stay on Newstart. It would be a much more useful system if it gave the person the benefit of the doubt, like workers comp does, by saying: ‘While you are rehabilitating, while you are getting to that point, we will put you on the appropriate benefit. If the time comes when you do succeed, that is great and we will adjust it then; if you do not, then we probably made the right decision in the first place.’ The thing that worries us is that there is a lot riding on a potential.

Ms Eacott—MS is not gradually progressive. It is not the case that you have a slow decline. You may be going along quite well and then suddenly have an exacerbation which leaves you unable to walk. It can be that sudden. There is really no way to predict if that is or is not going to happen.

Senator WONG—What about the inbuilt disincentive to work? If you are demonstrating your capacity to work over 15 hours in the sort of situation, Ms Eacott, that you outlined—say, you are working 16 or 17 hours a week—you have demonstrated for the purpose, I presume, of Centrelink that you have that capacity. If you then have a substantial reduction in

capacity because of an exacerbation in your condition, you have already provided them with the evidence that you are capable of working which you then have to counter, I suppose. This issue has been raised with me and I just want to test it with MS—that there is actually an inbuilt disincentive for people to continue to engage in part-time work because it demonstrates their ongoing capacity when in fact it may not be ongoing.

CHAIR—Senator, as I understand it, the test is not only whether you can work 15 hours now but whether the capacity is likely to be there throughout the two-year period from the point at which you are considering the person's capacity. That is why the test has been made more elaborate than simply, 'Are you capable of working 15 hours right now?'

Senator WONG—Thank you, Chair. I recall being chided before lunch for doing what you are doing now. If they are the new ground rules, we can go that way, as you have said. My point is this: do you think there is a disincentive to actually demonstrate your capacity by continuing to work?

Mr Blackwood—We have had people say to us that, to avoid the stress of being reassessed every time something happens, it might be easier to stop work. I do not know whether that is just a gut reaction or a plan. The thing that worries us is that we do not want to have a perverse incentive to gain in the system. We would rather have people who want to work maintain their work and maximise their potential rather than looking at ways to maximise something else. We would prefer not to have that in the system, to force people into doing things that are not right.

Dr Sanderson—We do not want to see this policy fail. We really want this policy to succeed. There are certain things that we and that people with MS know that we are attempting to put into the exercise in order to bring about success. The people who are above that 15 hours a week—and I am thinking of individual people, people to whom we provide support and services in Brisbane and in regional centres in Queensland—are more often than not people who are tertiary educated but who are not well paid. They are teachers in the public education system and they are service providers of various kinds. They are in less experienced areas of the public sector, and some of them are in private sector jobs that require significant professional skills. But none of these people are terribly well paid because they simply do not have enough career advancement behind them and they are probably not going to get it because of what their neurologist is telling them. So they are caught in the middle there, and there is no way they are going to give up.

Commonly, they have all the sorts of commitments and experiences that people in our society have which make them want to do this to the max, to perform to the max and do the very best they can in the job. They tend to have supportive employers. We hear of those who do not, and they tend to drop out pretty dramatically and we have to do a lot of work there. So that is the group. High-end income people tend to be able to retire fairly comfortably with appropriate super, and we do not hear from them, you are not going to hear from them and Centrelink does not hear from them. There is no issue there at all because they are looked after. They have provided for themselves, and good for them. There would be great difficulty in retraining low-end, unskilled and semiskilled people, because their threshold education levels are so low. There are many people like that in rural areas. They also drop out pretty early. Hitherto, they have been able to demonstrate claims for the DSP, and that is it for them.

They are not worried about a 15-hour week barrier or anything. It is that other group that I have mentioned—that middle group—but it is a big middle group.

Senator WONG—There are two issues I quickly want to raise. You made mention in your submission of the costs that would be transferred to the states and community organisations. Can you briefly tell us in what areas that would be?

Mr Blackwood—Because the states run health and disability, if the stress is caused by an upset in employment or poverty because of the lower benefit, then the state health system picks up that cost. State disability services pick that up. The sort of advice that MS societies are going to have to provide is another cost. We think it would be primarily in health where people will have adverse health impacts because it is related to stress. Stress is quite well documented as being a cause of MS exacerbations and symptoms, and this system will reinforce stressful situations.

Senator WONG—Finally, do you think that the system that is proposed—which is a point in time assessment, trying to look forward two years—with certain financial consequences if you are judged as being able to work more than 15 hours adequately protects people with MS?

Mr Blackwood—No, it does not, because it is not designed for them. As we said in our opening statement, it is actually designed for people leaving welfare to go to work, not work to welfare.

Ms Eacott—Not the other way around.

Senator BARTLETT—I want to touch a bit more on the issue that you raised about the definition of disability and your concern that it does not include neurological disability or chronic illness. I wonder whether that represents a significant shift from the definition under the current act. I know we have changed the 15 hours and all that stuff, but in terms of disability itself is that a significant shift?

Mr Blackwood—I am not with you.

Senator BARTLETT—Is there any significant shift from how disability is defined under the current act as being physical, intellectual or psychiatric?

Mr Blackwood—I am not sure.

Dr Sanderson—I think there is a problem there. While we represent the MS Society here and we are not formally representing anyone else, we do know through our collaborations and our cooperative work with plenty of other chronic neurological condition organisations—mostly with smaller numbers, but of course the big exception is Parkinson's disease; they are not so concerned with employment issues because of later onsets—you have pointed to something that is important in redefining, rethinking and revisiting those definition matters.

Mr Blackwood—The reason that we raised that matter is that chronic illness is not a good fit in the disability basket. We know that with respect to services under the Commonwealth-State Disability Agreement, aged care, health—wherever the disability bucket sits, chronic illness is not a good fit. As we said, people are actually making the return journey. Acquiring a disability in early adulthood is a different cultural experience from growing up with a

disability. There is a lot that is very different, but it seems to be the nearest fit. A neurological disability is not captured neatly by physical, psychiatric or intellectual disability.

Senator BARTLETT—I can check that out myself. It may be that any awkwardness of fit problems with that did not manifest itself with the current number of hours, but it will become more apparent with the lower number of hours.

Senator MOORE—I am interested in the amount of interaction you have had with the government or with the department on this change. We have heard about Welfare to Work pretty regularly since the budget. You have raised quite a significant number of issues in your submission. In that intervening time, have you been involved with giving information or advice or have you been sought out by the government for your views?

Dr Sanderson—There has been two-way traffic, yes. In Queensland we have made significant initiatives to federal members of parliament.

Senator MOORE—You are good at that, but I mean them seeking you.

Dr Sanderson—Yes. This year, DEWR representatives consulted us on two formal occasions, which we thought was helpful and productive—how productive we have yet to determine. Earlier on we were kept abreast of important larger consultative meetings with the relevant minister and other such gatherings. It has been interactive.

Mr Blackwood—In Victoria we have actually got an Employment Innovation Fund project called Saving Jobs. It has been going for five or six months now and it is expressly aimed at ‘job in jeopardy’ type work and doing research on what it takes to save the job. We have had extensive discussions with the minister’s office and with DEWR about the fact that in the suite of labour market programs—and I suppose you could almost load it back to the bill in terms of what they talk about in programs of support—that ‘job in jeopardy’ job protection program almost does not exist. It is there as a slice of what agencies can do, but in terms of expertise, timeliness, good referral networks and a very acute understanding of what is required I suppose that is what the whole project is about—just trying to show how much that actually is needed for different disease groups.

We also had a disability employment roundtable in our own area, in Blackburn in Victoria, which the minister came to. That was a group of labour market programs, Centrelink and employers all talking about disability employment. While the mood was fairly positive—we had good research findings about how people with disabilities are productive—there were some concerns expressed about where the risk lies in it all. When people are in employment and it works, that is fine, but employers taking on people are seeing it as a risk potentially. So we need to spend more time and discussions need to be pursued with DEWR about how we insert a niche in the suite of labour market programs dealing with job protection.

Senator MOORE—Given that, what has been the response to the particular things you have raised with us today?

Mr Blackwood—I think the response we have had is that the changes are not meant for this group. It probably goes back to what the chair said: if someone has a job, if there is some good labour market support people should be able to keep their job. Until the bill came out we

actually were not quite sure what was going to be in it. But generally I think we have had a reasonable kind of dialogue with them. This seems to have been a different process.

Senator MOORE—You just do not know the answers yet.

Mr Blackwood—No.

Senator McLUCAS—I know we are very short of time, so you might want to take this question on notice. I was interested in the two case studies that you provided in your submission. In the case of Andrew, if he moved to Newstart rather than DSP—I think he is a part-time worker—it would leave him short by \$249 a fortnight, and Siobhan would be left short by \$238. How did you calculate those two figures? Is that a straight comparison between Newstart and DSP or does it include effective marginal tax rates?

Mr Blackwood—That is with the marginal tax rates calculated. It is the net effect to the person. These are people that we work with in Victoria who are on partial DSP. They are obviously safe from the provisions in here, but if these people—and they are fairly representative of the type of people that we will see—were to enter the system post 1 July that would be the difference in the outcome financially.

CHAIR—I am just reminded that, as I understand the package, it is possible for a person to seek a reassessment at any stage prior to the end of that two-year period about their projected capacity for two more years, so if a person experiences a deterioration in their condition it is possible to have their assessment for a capacity to work reassessed.

Senator BARNETT—Just adding to that, I understand that if they are not happy with that they can appeal to social security.

CHAIR—Yes, I understand that is the case.

Senator McLUCAS—I hope you are not encouraging people to go down that track.

CHAIR—Not at all. It is a small part of the safety net; it is a part of the service. Thank you very much for your submission today, for the time you put into the submission itself and for your appearance here this afternoon. It has been very helpful.

Dr Sanderson—Thank you.

[2.51 pm]

BRADY, Mrs Jacqueline Mary, Manager, Policy and Communications, Catholic Welfare Australia

QUINLAN, Mr Francis Gerard, Executive Director, Catholic Welfare Australia

CHAIR—Welcome. Thank you both very much for coming here today. We have your submission, which is No. 33. It is a quite comprehensive document, and I thank you for producing it in the time available. I now invite you to make a statement to that submission, after which we will ask you questions.

Mr Quinlan—Thank you for the opportunity to appear before you today. I would like to begin by setting the themes of our submission, rather than going into the detailed content of our submission. In a statement entitled *Economic justice for all*, the Catholic bishops of the United States challenge their readers to carefully consider the manner in which they measure the performance of their economy. It says:

... measure this economy, not by what it produces but also by how it touches human life and whether it protects or undermines the dignity of the human person. Economic decisions have human consequences and moral content; they help or hurt people, strengthen or weaken family life, advance or diminish the quality of justice in our land.

We come before you today with a similar plea. You would be aware that Catholic Welfare Australia is one of the largest networks of providers of social services in Australia today. The work of our members is dominated by the day-to-day struggles of welfare recipients, low-income earners and the disenfranchised. Our members care for all who walk through their doors, regardless of their need, religion or capacity to pay. In spite of the prosperous times we live in, our services are experiencing an ever-increasing demand. While our services cover a range of needs, we also have particular expertise, as high performing partners with the government, in the provision of what might be called participation related programs, such as the Job Network, the personal support program and other services.

It is our submission today that the core objectives of this reform package are sound. Those who are able ought to be assisted to participate more fully in the life of community through employment and other forms of social participation. This is the objective of many of the services that our agencies deliver. In order to achieve these shared objectives however, we make a number of submissions regarding the implementation of the measures. We believe that some aspects of the package could be better structured in order to better assist those who most need our support. In particular, the proposed package of measures ought to be adjusted so that sole parents and the disabled are offered greater financial incentive to return to work under the new system than they are under the existing system.

Secondly, specific changes should be made to the package to support education and training, and to enhance the employment programs that support this welfare-to-work transition so that the greatest support is provided to those who are the most disadvantaged. Thirdly, enhancements to activity testing and mutual obligations ought not undermine the value to the community in supporting parents, especially single parents, to adequately care for their children, nor undermine the value to the community in many forms of social

contribution that are not directly employment related. In particular, we believe it is both objectionable on moral grounds and unnecessary on practical grounds to implement a compliance regime that is underpinned by suspension of all income support for a period of two months.

We cite an example in our submission of a sole parent—let us call her Jenny. Under the old system, if Jenny worked 15 hours a week at \$13.30 an hour—about minimum wage rates—and was the recipient of parenting payment single, her disposable income, her net income, would increase by about \$146 a week. If she does the same work for the same wage, under the proposed system but as a Newstart recipient, her disposable income will increase by only \$83 a week. That is to say, she earns less under the proposed system, and not more. She has less incentive to return to work and not more. DEWR estimates that there will be some 85,000 single parents over three years in receipt of Newstart allowance under the new arrangements. Because of the way indexation works with these particular benefits, this differential will increase significantly over time.

People with disabilities who would have been eligible for disability support pension will also experience similar cuts in disposable income under the new arrangements. An additional 75,000 people with disabilities over three years will receive the Newstart allowance. We see no clear reason why payment levels could not be addressed and appropriate employment related activity tests introduced for parenting payment and disability support pension recipients where required. Minister Andrews, on 8 November, indicated that these measures were not about savings. In answer to Senate estimates questions, the Department of Employment and Workplace Relations estimated that changes to payments will save approximately \$1 billion over three years, from 2006 to 2007. By comparison, the federal budget will record a cash surplus of \$13.6 billion for 2004-05. In this context, it is difficult to see why the proposed changes in payment levels would be made.

Our submission has argued in some detail that there should also be a range of changes made to employment services to better increase participation in the work force by those who have not yet been successful in achieving their employment goals. I do not intend to go into those details in this opening statement. Suffice to say that changes to the Job Network announced in the budget will make it harder for many job seekers whom we serve to receive the highest level of assistance under the program. The personal support program, which is aimed at those with multiple non-vocational barriers, continues to be substantially under-resourced, particularly relative to the Job Network—in spite of its success with a very needy target group. We have a range of concerns about the proposals for full-time Work for the dole.

We have very significant concerns regarding the compliance system that is proposed to underpin this raft of reforms. There is no evidence to suggest that a two-month period without income support is required to achieve improved compliance. I would like to repeat that—there is no evidence to suggest that a two-month period without income support is required to achieve improved compliance. In contrast, there is ample evidence to suggest that such a penalty has pernicious effects on the capacity to seek and find work, on health, on housing, and on family relationships. Single parents and people with disabilities have not previously been part of the new compliance system and certainly not on such a large scale. There is no way to know what effects such an eight-week non-payment period will have on these groups.

There is ample evidence, including the recent report of the breaching review task force, to suggest that non-compliance is frequently the result of poor communication between Centrelink, service providers and job seekers. The prospect that such misunderstandings may result in harsh penalties is of grave concern. Similarly, the prospect that the same penalty will apply to serious matters of what might be called wilful non-compliance as to non-compliance that arises from poor confidence, reduced social capacity and bad communication is equally concerning. We propose a compliance model involving escalating levels of assistance to help those who have breached to re-engage with their participation requirements. By its very nature, this would be more responsive and encourage greater participation than the severe financial penalties that are proposed.

We understand and support the government's objective of improving general economic conditions in order to improve social and economic conditions for all. We are concerned to argue, however, that this macro level policy should be implemented with special regard to those who are in the greatest need. It is not acceptable for the most vulnerable individuals in the community to be asked to bear unnecessary additional burdens in order for us to pursue these national objectives.

The people who will be affected by these policies are already living below relatively commonly accepted poverty lines. Any reduction in personal income in these circumstances will have direct effects on household spending on necessities, such as food, medicine and utilities, with children in these families most dramatically affected.

In conclusion, I would ask you to consider that our treatment of the poor, as we have just been discussing, is not a matter of their right to a dignified life within an economically successful Western democracy, nor is it simply a matter of our duty in that context to support them. I use again the words of the Catholic bishops of America in their statement *Economic justice for all*:

The prime purpose of this special commitment to the poor is to enable them to become active participants in the life of society. It is to enable all persons to share in and contribute to the common good. The "option for the poor", therefore, is not an adversarial slogan that pits one group or class against another. Rather it states that the deprivation and powerlessness of the poor wounds the whole community. The extent of their suffering is a measure of how far we are from being a true community of persons.

I would be pleased to answer questions on any aspects of our submission or to face other questions, as you might wish.

CHAIR—Thanks, Mr Quinlan. Mrs Brady, do you have a statement to make at this stage?

Mrs Brady—No. I am Mr Quinlan's wing man today!

CHAIR—Okay; wing man or wing woman—whatever.

Mr Quinlan—I would like to acknowledge Simon Smith and Rachel Harrigan, our policy officers who prepared the bulk of the work on the submission. They are in the audience today.

CHAIR—I want to go back to something you said in your opening statement. You cited the statement by the government that it did not intend that the Welfare to Work package would be, in the short term at least, a device to save money. You then cited a statement made in an

estimates committee hearing that there were expected to be savings of \$1 billion in the outlays for payments.

Mr Quinlan—In relation to payments.

CHAIR—You are not suggesting there is a contradiction between those two statements, are you?

Mr Quinlan—No, I was merely suggesting that it would appear that there is no need in relation to achieving savings measures for large-scale benefits to be reaped by government in relation to shifting people from the current pension system onto the Newstart system. I am not aware of the evidence that would suggest that that shifting will improve the prospects for those people in terms of moving from welfare to work. So I am struggling, on the face of it, to see the rationale for making such a large-scale shift in payments.

CHAIR—I suppose the answer to that boils down to the question of what cost is incurred in engineering a situation where we achieve higher rates of participation in the work force. I am sure you are aware of the background to the package—the fact that fewer than one in five of those who receive income support of working age in this country actually have a requirement to seek work; that we have on some measures quite low levels of participation in some categories of those who receive benefits; and that we have, as a nation, looming and very serious skill shortages. How do we engineer a proper response to that challenge facing us without having to greatly increase the cost which this package already entails for the community? As you have noted, there is actually a cost in the next few years rather than a saving resulting from these reforms. How do we achieve effective outcomes without spending a great deal more than we are proposing to spend at the moment?

Mr Quinlan—Frankly, I would advocate that we spend a great deal more in the short term and that, if we take a longer term view of the budget, that is likely to yield us substantial savings. I suggest that, if we make the investment now, those savings will be reaped by the community over long periods of time.

CHAIR—What you seem to be saying is that the way to achieve better outcomes is more to case manage individuals. For example, if they are in default or breach of their work obligations, rather than being breached with an eight-week suspension of their payments, they are invited in for an interview and the reason for their default is assessed and managed and so forth. I admit there is something to be said about that kind of case management approach, but it is also arguably a great deal more expensive in that you have to individually handle each case of a default. You say that we should spend more in order to achieve these reforms. Have you costed the recommendations that you have made to the committee?

Mr Quinlan—No, we have not done that costing. We have suggested, though, that as part of our strategy we ought to differentiate the needs of job seekers. Many of the proposals that we are suggesting in the submission are in fact a transfer of existing funding within the Job Network system and other programs so that we can focus that expenditure on those with the greatest need. We certainly believe that considerable improvements could be achieved by better focusing on those target groups.

Mrs Brady—We are asking people with a disability and single parents to come along on a culture shift that we have not really prepared them for. Sixty per cent of single parents have an

education level of less than year 10. According to the ABS, 97.5 per cent of all jobs created in the last 12 months required post year 10 qualifications. So we have not really prepared people in the best way that we can to make that transition from welfare to work. That is really why we are advocating that there needs to be a greater investment in these people in the short term for the long-term benefit to the community.

Mr Quinlan—I am concerned that the payment under Newstart is simply not designed to meet the circumstances for which we are applying it now. The case study we cited in our opening statement was a single mother with 15 hours at minimum wage and likely to be casual or part time. She will, in fact, have less incentive under the proposed system to make that transition than she would have under the previous system. So it seems to us that there are enormous issues and difficulties at that lower end of the income scale. There are enormous issues that I am sure senators are all aware of around effective marginal tax rates being upwards of 60 per cent for many of the people that we are discussing. It just does not seem that the initiatives, as proposed, are providing an adequate incentive to those people to move them.

Senator WONG—Thank you for your submission. Unfortunately there is not sufficient time to ask all the questions I would like to but I want to focus on a few issues. The first is the issue of incentive, to which you referred. I think tomorrow we will have the NFAW submission, which deals specifically with that. I think you have a cameo about this. What do you say is the effect of having a system where you actually give people less incentive?

Mr Quinlan—I might say our cameos and data are based on the NATSEM research, which I think has been well argued and is well known. Our concern is essentially around the fact that, if we are asking people to undertake greater levels of job search activity and possibly to move into work, we may in fact be making them less able to do so by reducing their level of benefit. If their household income is declining then people will be less able to make the travel arrangements, child-care arrangements and arrangements for interviews and so on that they need to make. So, right at a time when we are asking people to do more, we might be providing them with less to achieve.

Senator WONG—In relation to the definition of ‘highly disadvantaged’, there has been some discussion of the budget decision to change the definition of highly disadvantaged, which, as I understand it is the basis on which a job seeker can access a higher level of assistance. We are still waiting for an answer from DEWR as to what that means. I have two questions. First, do you have any indication of how many people will, as a result of the changes, no longer be able to access a higher level of assistance? Second, do you have any comments about the policy behind that proposal?

Mr Quinlan—On the former, we do not have the detailed data and we do not have access to the mechanisms by which the job seeker classification instrument, the JSCI, works. However, it is our experience that there are essentially two arguments that can be run at this time. So, as we are approaching what we all hope is a period of fuller employment, the argument can be run that therefore job seekers are less likely to need assistance to move into the work force because there is a natural supply and demand effect. It is our experience, though, that those who are remaining in the labour market pool currently in fact often experience much more complex and substantial levels of disadvantage. So, even though they

may be part of a smaller unemployment pool, it is often the case that they will in fact need a higher level of assistance. So we do not think an argument that makes an arbitrary cut-off around the percentage of job seekers who are moved to a particular classification makes sense. We think that the formula should be applied on the basis of need. Really, people have the need whether they are 10 per cent of the pool or 90 per cent of the pool or 50 per cent of the pool.

Senator WONG—Under the government's proposal, we would be seeing more people with a disability and more sole parents in a regime where they are required to look for work. At a time where the job seeker pool is having those two new cohorts attached to it, do you think it is logical to make it more difficult to obtain the higher level of assistance?

Mr Quinlan—As we have said, we think that the principle ought to be that assistance is applied on the basis of need. That has implications for the compliance regime as well as the job seeker classification instrument. We think that, where people are either unsuccessful in their job search activities or they are unsuccessful in their compliance, we ought to in fact be applying more sophisticated assessment tools in order to identify needs that may not have been identified previously and thereby applying the appropriate levels of support.

Senator WONG—In recommendation 15—and I noted your comments about the pernicious effects, as you said, on health, housing and family relationships of an eight-week suspension period—you are recommending at pages 5 and 6 of the submission that 'reasonable excuse' include inability to meet participation requirements due to a current waiting list for that particular program. Can you give us some background as to that recommendation?

Mr Quinlan—Certainly. It relates also to some issues we raise about the relationship between various Job Network and participation style programs. It would be of grave concern to us if clients were being referred from, say, the Job Network program to the personal support program—who will be placed on substantial waiting lists—and were not protected from some aspects of activity testing and compliance. The point that we are making there is that clients ought to be protected from waiting lists that exist in some of our current programs.

Senator WONG—And those are existing waiting lists?

Mr Quinlan—The personal support program is a good example. It is a program established for those with complex prevocational needs and provides ongoing case management and support, but the waiting lists for those programs are very substantial. We believe they are likely to remain substantial in spite of the welcome additional resources that the government provided to the program as part of the budget.

Senator WONG—I understand that recommendation 18 is your fallback position in a sense. Your first position is that you would prefer not to see any reduction in income support levels for the people who are within the ambit of the legislation, but I suppose recommendation 18 is your fallback. Why are you arguing for those people who are exempted from the participation requirements to also be exempted from the income cut?

Mr Quinlan—I am sorry, I am not sure I understand the question.

Senator WONG—As I understand it, what you are saying in recommendation 18 is if you are exempt from activity requirements, participation requirements, you should also be exempt from a reduction in the income payment.

Mr Quinlan—Yes. There was some question that those people offered exemptions could be provided with exemptions across a range of not just the income reduction but also the activity tests and so on that people are going to be asked to participate in as part of their mutual obligation requirements.

Senator WONG—Finally, what did you mean when you talked about the pernicious effects of the eight-week suspension?

Mr Quinlan—Some of that arises from the findings of the breaching review task force, which I have read, that suggest whilst suspending benefits—I will go back one step and say also that the breaching review task force, when it speaks of suspending benefits, is speaking about something different to the current proposals—has been demonstrated to motivate people to a certain extent, and to deliver people a message about their need for compliance, it has also demonstrated it reduces their capacity to meet their obligations. The concern then is that people are less able to meet their obligations, and for certain periods of time are forced back onto the perhaps limited resources of their families, their friends and emergency relief agencies and others for support.

We understand that there is a proposal, as part of the legislation, to protect some class of those who do end up on a suspension via some kind of administered payment arrangement, but we think, even in those circumstances, that the effects on people's stability of housing, the effects on other aspects of their lives, are really likely to be very severely affected. It is our view that that is an unnecessarily harsh penalty to deliver the sort of message that the government wishes to deliver about mutual obligation requirements and the integrity of the welfare support system.

Senator WONG—Do you think that this will mean people with disabilities or sole parents in that situation may well be approaching other agencies, like homelessness agencies and other charitable institutions run by the Catholic Church and others?

Mr Quinlan—That is right. The concern is that if people are suspended, they are effectively excluded from employment services programs for the period of their suspension and are likely to fall back on other services that agencies like ours provide. We have made representations, to date unsuccessfully, that the eight-week suspension period could be adjusted so that people have an opportunity to re-engage during that period. So even after an eight-week penalty has been applied, we believe it would be possible to establish certain criteria and processes that could see people who come to a new realisation, shall we say, in relation to mutual obligation activities re-enter the system, re-enter the programs that have sometimes taken a long time to engage them in and carry on with them on their pathway of transition in that way.

CHAIR—I think we are going to have to leave it there in order to keep on schedule. I have one question: you said in your opening statement that a person who was breached and had the eight-week suspension would lose all their benefits. I assume you did not mean to include that they would lose their family tax benefit as well in that package?

Mr Quinlan—No, but certainly they would lose the particular allowance that they were on.

CHAIR—Thank you very much for that submission and for your appearance here today.

Mr Quinlan—Thank you, and good luck with your deliberations.

[3.21 pm]

LEPPERT, Ms Susan, Executive Director, Anglicare Australia

PERKINS, Mr Daniel, Research and Policy Project Manager, Brotherhood of St Laurence

SMYTH, Professor Paul Gerard, General Manager, Social Action and Research, Brotherhood of St Laurence

CHAIR—Welcome. The committee has the submission that you have jointly presented, submission No. 35. Would you like to make an opening statement about your submission and then we will proceed to ask questions.

Ms Leppert—Thank you for the opportunity to appear before the inquiry hearing. I am going to start with a broad response from the point of view of the service providers that make up the Anglicare Australia network, and my Brotherhood of St Laurence colleagues will provide a more detailed response from their perspective. Anglicare Australia is the national body for 43 Anglican caring agencies across the country. Together these agencies provide direct care to 350,000 Australians each year and come into contact with many hundreds of people through op shops, parish outreach and extensive networks of community support.

The agencies of the Anglicare network, including the Brotherhood of St Laurence, represented here today, work closely with those individuals and families in Australia who are most disadvantaged. They have done this for many years, some since the church was first established in Australia in colonial days. The call on the churches and their welfare agencies to provide care for society's most vulnerable citizens is not diminishing. Instead, the reverse is the case. The human face of poverty, unemployment and disadvantage has changed, but the need for welfare support, especially for the most vulnerable, remains.

Many of the Anglicare agencies are large and diversified, able to offer holistic support to people in a range of community contexts. It is the experience of working alongside people in need that informs our comments on the bill. We welcome the basic tenet underlying the bill, as stated by Minister Andrews in his second reading speech: that people on welfare deserve more support and that it is vital for people to be given every assistance and opportunity so they can achieve better outcomes. We need to be sure that the legislation will serve to put the principles of fairness, opportunity and support for the most vulnerable into practice. For many people, the barriers to employment and a way out of welfare dependency have become increasingly complex, needing to be addressed with an intensive and integrated response to their needs.

After many years of strong jobs growth, most of the people who remain jobless are those who experience the most disadvantage and are least able to access employment services without a significant input of support. They are the people whose education levels and employment skills are limited, who are most likely to struggle with poor physical and/or mental health, who have recently experienced relationship breakdown and/or domestic violence, who struggle to balance paid work with caring responsibilities, who experience workplace discrimination or employer resistance or who live in low-job regions because that

is the only place they can afford to pay the rent. That is why our submission starts by reinforcing four key points that I know the committee has already heard this morning from ACOSS and recently from Catholic Welfare Australia. One of those points is that the welfare system needs to be fair. The existing income support payments for sole parents and people with disabilities need to be maintained, not reduced. You heard the depth of that discussion earlier today.

The aims of the legislation will not be achieved unless greater investment in employment assistance is provided. Activity requirements need to be relevant and reasonable and need to take into account the special needs of parents, people with disabilities, the long-term unemployed and mature age people. There is no place for punitive penalties in a system that purports to strive for fairness, opportunities and support for the most vulnerable.

In seeking to assist people off welfare and into work, the reforms need to address the underlying causes of welfare dependency and long-term unemployment and take into account the adequacy of the labour market to provide sustaining, long-term and secure employment; the adequacy of education and training at all levels from early schooling to post-placement training and support; the adequacy of support services to meet basic and specialised needs of housing, health care, child care, transport and a safe environment for children; and the special needs of caregivers. In addition, the legislation needs to be seen in conjunction with industrial relations reform, especially as it impacts on low-paid workers and people moving into low-paid work.

It is the experience of the Anglicare agencies that most people want to work. They do want a secure job that will enable them to support themselves and their children not only financially but also emotionally and with dignity. They do not want to be made to feel second rate because the complex circumstances of their lives have made it difficult to either seize opportunities as they arise or jump through the hoops of a system that may ultimately penalise them for failing to do so.

In our experience, there are very few people in receipt of income support who wilfully disregard their obligations to Centrelink. However, the very barriers to employment faced by the most disadvantaged job seekers—barriers such as homelessness and mental illness—are often also the barriers to them fulfilling their mutual obligation requirements. The desire of unemployed people to work is sometimes camouflaged by despondency and a loss of hope. Our Anglicare workers work with them, engaging in the complexities in their situations and being a source of hope while assisting them to build capacity and find decent employment.

Many individuals and community groups have spent considerable time analysing the implications of this bill for Australia's most vulnerable citizens. Many, like the agencies of the Anglicare network, including the Brotherhood of St Laurence, work closely with these people every day. This experience enables us to apply a reality check to important legislation that will help shape the future for a caring society. Thank you for the opportunity to contribute to that shaping and to assist you as you test out the implications of the legislation for 2.5 million Australians each year who receive some level of social security assistance. The Brotherhood of St Laurence social action and research team draws on the action, research and experience of the brotherhood's service delivery, focusing in particular on the experiences of people on very low incomes, so I will hand over to them.

Prof. Smyth—Thank you, Sue, and thank you senators. The brotherhood had a hand in the written submission you received. We were wondering how we could best use our time. While we do canvass issues to do with sole parents and people on the disability support pension, we figured that a lot of those issues pertaining to the legislation have been well covered by others; we have witnessed that in the course of the proceedings today. So we thought we would bring something a little bit different to the table and draw on an area in which we feel the brotherhood really has something to contribute to the debate—that is, our experience of working with the long-term unemployed.

We want to refer to a couple of pieces of work in particular. One is to do with the extensive evaluation of the personal support program—the PSP—and related services that we operate at the brotherhood; the other is to do with the more place based approach to engaging with the long-term unemployed. As we talked about this, in both cases we found ourselves calling for more resources, so we have been thinking that if we need a theme for our paper it would be the need for an increased investment approach to welfare. We figured that that might be challenging, because it is not readily accepted in all quarters that it is a good thing for governments to be spending more rather than less on welfare and social policy. We thought we might open with a few remarks around this idea of what we have been calling a shift from a welfare state to more of a social investment state.

Might I say that it has been very encouraging sitting here today and reading some of the written submissions. I draw your attention to the Smith Family's submission on the economic as well as social values of a broad program of investment in early childhood and lifelong learning. ACOSS and others today, including the previous speakers, were talking about the need for more investment to tackle some of these more difficult issues we are facing now, especially with the entrenched unemployed.

To me, having been around the traps, at least on the more academic scene, for many years in social policy, it is quite a different scenario or theme song to what we would have heard maybe in the late nineties, when the whole framing of the purpose of social policy as getting people from welfare to work happened. Then the real focus was on this problem of what people were calling 'welfare dependency' and how we could bring it to an end. It was more about how we spend less, maybe even disinvest in fruitless spending and divert those resources into something more productive. People generally accepted that that was a good way to frame the issues.

Today I believe—and I think the submissions and proceedings here are saying this—that maybe there is something new we should be looking at. Perhaps governments really have to be serious about investing in welfare and social policy. It can be an important second bottom line besides the strong economy. We at the Brotherhood of St Laurence believe that probably we should brace ourselves for more welfare spending now rather than less, especially in the wake of the IR reforms.

There is no need to remind senators of the history of Australian social policy. We had a very distinctive approach to meeting people's basic needs through the minimum wage, based on calculations of what the ordinary civilised standard would be. It covered things like housing costs, education and food. That was one way of trying to meet the needs of those at the bottom of the labour market and ensure a civilised life for them. It is quite clear now that

that is not seen as the way to go in the current economy and approach to economic policy. There will be no free lunches, so to speak. But, what people do not get through the wage system, they will be turning to us for through the tax and welfare systems. We might have to do something very unthinkable for Australians—that is, start to have more welfare and look more like a welfare state than we ever have in the past.

We need an investment approach. We really need to be seriously considering the way of reframing the purpose of welfare. I was probably one who shared a belief in what turned out to be a myth in the late nineties. It was believed that we had had too much welfare in the past. With globalisation and the need for economic competitiveness, we had to deregulate things, privatise and get out there. If we did that successfully—good economic policy, as we are often reminded, is good social policy—we would not need any welfare. Strong confident individuals would compete successfully and be able to meet their own needs. There would be a withering away of the welfare state. This was not just a debate in Australia; it happened around the world.

I draw your attention to the work of Frank Castles, the former ANU social policy comparativist currently working in Edinburgh, who has brought a lot of the evidence together to show that this has turned out to be a complete myth. Across the OECD countries since the whole globalisation process started, all OECD countries are finding that they are spending much more on welfare than they did in the past. This is to cushion society and maintain a society which is good for the economy as well as being more inclusive.

Our big plug, then, at the larger level of thinking about what welfare is for is that we need to turn to that investment approach. Of course, we may not. There is a lot of chatter in the papers—and I think I might have even contributed to it—about the fears of becoming like the United States. It ought to be a fear. The US has a system that is quite similar to some of the trends we are experiencing. But we should remind ourselves regularly that their poverty rate is 17 per cent whilst ours is currently 11.2 per cent.

We should look to the experience of New Zealand, who adopted a lot of the deregulation of the wage system and a minimalist approach to welfare. Their child poverty rate is 16.3 now. It used to be similar to ours. Ours is maintained at 11.6 per cent, thanks a lot to the parenting payment. If we go the US way, their poverty rate is 21 per cent.

At the brotherhood, in addition to these particular forms which Daniel will talk about in terms of the long-term unemployed, we do think it is important—and we do not have all the answers—to be thinking, ‘Is it just a matter of welfare to work or do we need to expect a lot more of governments in our social policy in a globalised world?’ That is why in our document we make our little recommendations that the first step towards a social investment approach would be to instruct the new Fair Pay Commission to follow the British example and ensure that there is an incremental increase in the living standards of the low paid; that we increase investment in education and training to get people moving up from the low-wage sector into more rewarding positions; that we use the tax system to boost the incomes of the low paid; that we protect the unemployed from coercion into jobs that lack decent entitlements and conditions; and that we adopt an objective of reducing poverty.

That is our big-picture scenario. I will hand over to Daniel now to talk about what this actually means on the ground, being willing to increase the resources in the case of the long-term unemployed.

Mr Perkins—I will just try and make a few broad points about unemployment and approaches to unemployment in Australia. 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. It is also caused by a failure of education and training policies generally—we have a pool of low-skilled unemployed while the economy is also experiencing skill shortages in particular areas. It also seems that there is to some degree a focus on compliance and compulsion in welfare to work, which seems to be increasing to some extent, which misunderstands the problem of long-term unemployed and long-term unemployment.

Essentially, we would argue that the long-term unemployed want to be working but face significant personal and structural barriers. In general they also have very low levels of skills. Moving them back to work is not a matter of needing to force them back into work but really providing sufficient investment and developmental labour market programs that can improve their skills to support them back into the work force.

Just to give a bit more of a picture of the long-term unemployed, we know from research that around just under 60 per cent suffer from depression. FaCS data looking at very long-term unemployed found that 60 per cent had no schooling beyond year 10, 53 per cent had an ongoing disability or medical condition and 53 per cent had little or no employment history. Despite those barriers—and that is the very long-term unemployed that they were looking at—85 per cent said that they would prefer to be working immediately.

We have had similar findings in the project we are doing looking at the personal support program, which works with job seekers facing multiple personal barriers—but most of those are long-term unemployed. We found that 70 per cent had year 11 or less as their highest level of education; just under 80 per cent suffer from a mental health problem such as anxiety, depression or a personality disorder; 50 per cent had been homeless in the past five years; and 56 per cent suffered from significant social isolation or alienation. Amongst that group, we found that just under three-quarters chose participating in employment or education as the activity that they would most like to be doing now. It is important to note that that is a group that has no obligation to work placed on them. So that is really the most disadvantaged of the long-term unemployed, and you have got 75 per cent that want to be working immediately given sufficient support.

Looking at the current initiatives and labour market programs, we welcome the introduction of the Wage Assist program but we believe it is way too small to make a big enough difference with long-term unemployed job seekers. It is definitely a positive step. We welcome the increase in PSP places. We do not think that using full-time Work for the Dole, which is essentially a compliance program, is the best way to go in supporting long-term unemployed people. Making intensive support more difficult to access will probably contribute to more long-term unemployment because it will cause a delay in people getting the support they need.

With regard to the programs that are currently in place, Job Network seems to work well for job seekers that are less disadvantaged, but there has been a range of research that has found that for long-term unemployed and highly disadvantaged job seekers it does not work well in terms of employment outcomes achieved and the quality of assistance delivered. A report by the Australian National Audit Office this year found that the assessment of barriers and customisation of job search plans was limited and that the level of contact rarely met contracted specifications. They expressed an overall concern about whether assistance provided was actually intensive and personalised, as was claimed. Also, looking at international research on how to help the most disadvantaged job seekers, we would expect that the Job Network would have limited success due to the lack of integrated personal support, the absence of links to necessary support services in the community, a lack of expertise in supporting clients with severe personal issues and the inability to provide intensive and flexible case management required—which have all been found by numerous studies in Europe and the US to be essential elements for helping that group back to work.

In terms of the personal support program, in many ways that has many of those elements we just mentioned and is in line with best-practice approaches identified in Europe and the US, but it does suffer in a couple of aspects. One is that it does not have integrated employment assistance as part of the program. As I mentioned before, 75 per cent of people in the personal support program want to be working or undertaking employment now. So that is a major problem. The other aspect where it suffers is its major lack of resources. Our research found that providers were able to spend a maximum of \$150 per client per year, and that was to cover all the employment, education, mental health and other services they required. When you are looking at an investment of \$150, trying to help the most disadvantaged job seekers back to employment is necessarily going to be problematic.

Overall, we would suggest that Australia has a severe lack of investment in welfare to work measures. As a percentage of GDP, Australia spends around one-third less than the OECD average on labour market programs. The highest spending countries, which are Denmark and Norway, spend roughly three times what Australia spends. Not surprisingly, they achieve significantly higher employment rates and higher participation rates and have lower levels of unemployment without needing to slash minimum wages or benefits. It is interesting to look at the figures for US, which has probably the most harsh welfare to work system of all OECD countries yet has an unemployment rate similar to Australia's and has lower employment and participation rates than the highest-spending countries for active labour market programs.

Our recommendations are in the report. Basically, we are arguing there needs to be a greater level of investment and it needs to be focused on developmental programs that can invest in training and development and can also then link into the skills shortages that Australia is facing. Education and training are also keys to reducing poverty and social exclusion amongst those groups.

CHAIR—Thank you very much to the three of you for those opening statements. We will go straight to questions. I would like to pick up a point you made, Professor Smyth, about resources. You said we need more resources to make these changes work. I think that that is a reasonable point to make. I would like to look, though, at the resources that are in the package to be able to facilitate the transition from welfare to work.

Putting aside the 137,000 extra places in the Job Network and the 55,000 extra places over the next four years for the Work for the Dole program, I understand that there is an additional 21,000 places in Disability Open Employment Services, 42,000 in vocational rehabilitation services, 25,000 in personal support programs, 6,000 in Community Development Employment Projects, 1,000 in New Enterprise Incentive Scheme and over 200 in Job Placement Employment and Training. That adds up to about 95,000 places. Accepting that not everybody will need a place in one of those programs to successfully make a transition, on what basis do you suggest that these additional resources will not be enough to accomplish the goals that have been set for these reforms to get people into employment?

Prof. Smyth—I could not give a complete answer; I would be relying more on the kinds of insights we have drawn from our experience at the brotherhood. I think that some of the deficiencies in those programs dealing with the more seriously disadvantaged, such as Daniel Perkins was just referring to, would identify gaps. Those additional places and expenditure obviously are most welcome. If we were looking for where there might be gaps, something I would like to draw attention to is the image of the unemployed or the poor in today's society. We have heard people talk about pools or the last tranche waiting to be drawn into the labour market but with serious issues. While I cannot speak from comprehensive research, I have a very clear understanding of our work with place based employment services, and increasingly we hear about the importance of postcodes or areas where there are congregations of severely disadvantaged people. If we were to put our hands up for one gap to be covered by the new service provision, it would be for something to address this place based approach.

We had success on the Atherton Gardens estate in Collingwood. It was from the practical observation that for many of these people in these kinds of areas the normal Job Network services somehow do not connect and do not reach. I heard a wonderful illustration of the dynamics of this problem from Dr Shane Houston, who I think is the assistant secretary of health and community in the Northern Territory government and who has done a lot of work on Aboriginal communities. We had been having a lot of discussion about needing more investment, more joined-up services and more whole-of-government approaches and, at one point, he hit the table and said, 'That's all very well. You can have all of those things but, if the community is not right and if they do not connect with the community, it will be just more money down the drain.'

We figure a really important way to fill this gap, especially with this increasing geographic or place based dimension of poverty in Australia, would be to encourage and resource programs that can really effectively engage with these communities. The secret of success we believe in the Atherton Gardens was that we did not begin with services and existing programs; we had community development people who just began with the people. They spent considerable time just establishing good relationships with them, putting on non-employment related activities like the vegetable co-op, bringing people together and meeting with them and from that their aspirations emerged, as Daniel was saying, 'What we really want out of all of this is jobs.' Then they began talking to the state government, who agreed that they spend a lot of money on landscaping and cleaning on these estates so why not make some of the jobs available as the basis of a training program. As well, they threw in some resources because these people need a lot of ongoing personal support just to keep them

attached to the program. I cannot recall the figures off the top of my head, but the number of people who stayed on in these programs and succeeded was much higher than the comparable existing service.

To do that and to have workers engaging with the community who can liaise with government or with potential employers in the area and to set up all of these pathways and connections and to bring in the training is a challenge, and existing programs do not appear to allow that. I think that it is a real cutting edge that needs investment. Another example would be the dairy industry approach. The dairy industry had discussions with the brotherhood, pointing to the fact that you have dairy in communities with significant numbers of long-term unemployed people yet you have a dairy industry that cannot get people to take up positions in the industry. The horticultural industry mentioned a similar situation in the *Financial Review* today. It is across-the-board. An investment approach would be saying, 'Let us try to link the prospective employers with the service providers who can get in with communities, build those relationships, find the appropriate training and build the pathways, and that requires more flexibility and more resourcing than the current programs allow.

CHAIR—I am just a bit surprised at the suggestion that the programs to date have not been tackling just those issues and that the resources in this package are not also directed towards them. Long-term unemployment in Australia has more than halved in the last 10 years because of the sorts of targeted programs that you are talking about now. You are saying that the number of places being made available in a variety of programs may be enough but the way in which those programs are directed or the quality or nature of those places may need to be rejigged to effectively reach people who would otherwise be left out of this process.

Mr Perkins—We would certainly support the increase in places across the programs that you have mentioned, but it is also a matter of the level of resourcing in the programs. As I mentioned, the Personal Support Program is getting another 20,000 places, which we would support, but we have found that the level of spending per client is \$150 per year per client for all of their employment, education and mental health—all the needs that they have—and it is really not sufficient to be able to achieve good outcomes with that client group.

CHAIR—Which program are you talking about?

Mr Perkins—The Personal Support Program. That is really the program dealing with the most disadvantaged of the long-term unemployed. We also found that 75 per cent wanted to undertake work or education as their highest preference immediately. We have a group that wants to be working but they are highly constrained by the fact that they are in a program which does not have the resources to support them into work. The new places are good but they really need adequate funding to be able to achieve outcomes with those clients.

Prof. Smyth—I agree with Senator Humphries on the point about there being to some extent a rejigging problem as well. I have been drawing attention to the governance arrangements you need, for instance, and the community development of working with employers. Often the services exist that you can make a package out of to construct a useful program for those people.

CHAIR—I cannot speak for the government but I would be surprised if these places were fully taken up that there were not more places made available in due course because there was greater demand for them. It seems to me that the number of places made available across-the-board is pretty much on par with the size of the problem that we are trying to deal with. I also raise an issue that you have got in your submission about what you suggest we should do differently from what is being proposed. You say that we should consider allowing parents to remain on parenting payment until their youngest child turns 16. Given the size of the problem that our community is facing with the serious shortages of skills in a whole range of areas, that is really something of a luxury. We cannot afford as a nation to subsidise people to remain at home when their youngest children are 10, 12, 14 and so forth. The vast majority of Australia women, I suspect, already go out and seek work when their children are that age. They do not see any compulsion to stay at home and prepare the dinner or whatever while their children of that age are at school. Is it realistic to be expecting us to retain benefits at that level that late in a family's development?

Prof. Smyth—I guess this comes back to where I began my presentation. I talked about the need for a rethink of the goals of social policy. I guess it is a matter of judgment. It is certainly about getting people into employment where appropriate. We also need social policies which support family life, social policies which can support people's needs for education and lifelong learning and social policies which can support the transition into retirement better than we have done in the past.

CHAIR—I understand that. But surely you would say that a family which has the mother going out to work when her youngest child is 12 and at school is hardly a family where there is great pressure on the quality of family life due to that. If that is so, isn't that the case for hundreds of thousands of Australians families where that is exactly what they choose to do at the moment—that is, for both parents to work when the children are of that age?

Prof. Smyth—Policy also encourages or allows not just sole parents but couples to have the option of the mother choosing to not work in that period.

CHAIR—Not with income support it does not. Under these arrangements, if parents want to get income support they can do so up until a child turns a certain age. Under these proposals, when the child turns eight they are expected to attempt to enter the work force.

Prof. Smyth—I would not present myself as an expert on when that age would actually be. Sue or Daniel might have a view on that. I would be pressing the point that policy—

CHAIR—Your submission says 16.

Prof. Smyth—That is the informed view of the Brotherhood of St Laurence's research team, and I am very happy to own that. I am equally determined to assert that we do not want a policy that in any way undervalues the role of parenthood and the value that has to children in their lifelong development. A single parent needs an income but also the time to carry out their parenting responsibility.

Mr Perkins—An issue that we would have with that is compelling people to look for work.

CHAIR—With respect, we are not compelling people to work; we are saying to them that if they want the community to support them to stay at home they have to look for work. They can stay at home on their own resources if they wish to. There is no compulsion to work.

Mr Perkins—In effect, they are being compelled to work.

Senator McLUCAS—What resources?

CHAIR—If they are a couple and the husband is working—

Senator McLUCAS—If they are single person with a child, on which resources are they going to stay at home?

CHAIR—They could have all sorts of resources. They could have independent resources.

Senator WONG—Then they would not be on income support.

CHAIR—But my point is that if they seek income support and they believe that they should be staying at home when the child is not there—

Mr Perkins—The child is at school at age five.

CHAIR—The child is at school. They are at home. They want to stay at home. You are saying that they should be entitled to do so and the community should support them in that role, as opposed to going out and working.

Mr Perkins—We are saying there should be a value placed on parenting as a social good. We need to recognise that that can have benefits. It is the idea of compelling people that we have the main issue with.

Senator McLUCAS—Both organisations acknowledge that most women who are single parents do work. The point you are making is about the choice for those families, which we in a policy cannot peel back and cannot identify and cannot understand in a blanket way.

CHAIR—Okay.

Senator WONG—I will be very brief because I think Senator McLucas might have some more questions. As I understand the Brotherhood of St Laurence and Anglicare's submission in relation to sole parents, you are saying parenting should be seen as a social good, but you are not necessarily opposed to reasonable activity requirements. The prime opposition in your paper, as I understand it, is that you do not want families left up to \$90 a week worse off.

Mr Perkins—That was the main focus.

Senator WONG—You say in your submission that sole parents experience higher levels of poverty. Can you give me an indication of what proportion of families in poverty would be sole parent families?

Prof. Smyth—I have not got an exact figure, but they are the most disadvantaged group.

Senator WONG—You also say that the proposed changes to the DSP are likely to result in reduced incomes for people with a disability. Is that right?

Mr Perkins—Yes.

Senator WONG—What do you think the effect will be on poverty or, if you want to use another term, 'financial resourcing' for the people who are the target of this legislation?

Mr Perkins—We believe that it will increase poverty. We would not see that by reducing the payments it will act as a very significant incentive to get people back to work. If you look at the US example, they have payments which end, so people are left without any welfare support whatsoever, and they still have unemployment. So we think it will definitely increase poverty and the effect on getting people back to work will be marginal.

Senator WONG—Thank you.

Senator McLUCAS—I want to ask some very brief questions around the point you were making in your submission about the Personal Support Program. I appreciate you raising it because my understanding was that it was actually a more generous program than that. That \$150 per person per year is for the intensive support. Can you explain that data a bit more, please.

Mr Perkins—The Personal Support Program does not have funds set aside like through the Jobseeker Account, so agencies have to set aside their own money for brokerage and access to services. It works on a case management model, so they work with the clients and then provide access to the services the clients require. In the research that we did we spoke to about 15 PSP providers in metropolitan and rural Victoria and found that was the maximum amount they could set aside for brokerage.

Senator McLUCAS—Within their own funds.

Mr Perkins—Some agencies had no money whatsoever, so all they could really do was refer clients to services in the community which usually had a cost involved and the clients could not access and in other cases had long waiting lists. But it was very rare for free services to be available. The agencies could provide some general sort of counselling. As I said, the program in its design and focus on social participation and economic participation and trying to address underlying barriers seems to be a very good program, it is just severely underresourced.

Senator McLUCAS—In Albury last Thursday we heard a figure of \$11 per person.

Mr Perkins—Per year?

Senator McLUCAS—I do not know that they went as far as to say per year. I do not know that you would hang around for a year if you had \$11, to be frank. I do not know that you would get a lot done, but I think it was the same program we were talking about. There is limited ability to personalise programs with those sorts of amounts of money. I appreciate your raising it. Thank you.

Senator SIEWERT—I want to go back quickly to this issue of parenting payments until the child is 16 and pick up the issue that Senator Wong raised. I understand that part of the issue is with the reduced payment. In your first dot point under policy recommendations you say it should remain a parenting payment until the child is 16. So you say they should remain on that, and my understanding of what you are saying is that they should then have the ability to choose to stay on parenting payments and to stay at home with the kids. Is that your point?

Prof. Smyth—Would you rephrase that, please?

Senator SIEWERT—I refer to the first dot point in your recommendations on page 6, which says:

- allowing parents to remain on Parenting Payment until their youngest child turns 16 ...

That is about being able to choose to at stay home with the children.

Prof. Smyth—Yes.

Senator SIEWERT—If, however, parents chose to go to work, would you maintain that they should still be on the parenting payment if they had the other requirements under Job Search—looking for 15 hours of work? Would your position still be that they should stay on parenting payment so that their payment does not drop to Newstart?

Mr Perkins—Yes.

Senator SIEWERT—That is what I am trying to get to in a roundabout way.

Mr Perkins—Yes, that was the biggest issue we had—the drop in payment.

Senator SIEWERT—That is what I partly understood that dot point to be about, which is the same position, I understand, that ACOSS and Welfare Rights have taken.

Mr Perkins—Yes.

Senator SIEWERT—Parents should stay on parenting payment regardless.

Mr Perkins—Yes. We are definitely supportive of any initiatives which help and encourage parents back into the work force, but that drop in resources going to parents was the biggest issue we had.

Senator SIEWERT—I suppose it may be getting onto another policy area, but my understanding is that a lot of incentives have been given to encourage mothers in partnerships and relationships to stay at home and look after their kids. It seems to me that we are taking a different policy approach here in that it is a luxury if you are in a relationship but that, if you are not in a relationship, you have to go to work to support the kids. Does it seem to you that a divergent policy approach is being taken?

Ms Leppert—It is a bit contradictory, yes. As I see it, many people, sole parents included, want to work, and they often want to be assisted back into work. As Daniel said, the best thing we can do is to meet them at that level of need. If they want to re-engage in education, training or employment, keep their supports at a level that will enable them to do so. If their priority is to focus on the family, why should someone who is raising a family as a sole parent have a very different choice from someone who is raising a family as a dual parent?

Senator SIEWERT—I will move on to child care. I know that you mentioned in your second dot point that child-care costs for low-income parents should be met for a period of six months and for those undertaking training until completion. What is your experience in dealing with low-income families and their ability to access and pay for adequate child-care services?

Ms Leppert—I think there are great regional variations. Where child-care places are readily available and there is a diversity of possibilities to choose from, it is not so much of an issue. But often the people who most need the extra level of support to engage in work activity of some sort live in areas where it is difficult to access a range of services, including child care, and affordability becomes a big issue. This is another rationale for not reducing that level of payment.

Senator SIEWERT—The issue of affordability, particularly in regional areas, is a significant issue—is that what you are saying?

Ms Leppert—It is a significant issue. There is a range of different kinds of child care that people have access to—community based; private, for-profit child care—and what a particular family may be able to afford may not be what is available in their backyard.

Senator SIEWERT—You have touched on experience in America and the issue of no support. I would then like to follow up on the issue of working poor. It came up last week in the IR committee hearing. We touched on the interaction between the IR legislation and Welfare to Work and the issue of developing a class of working poor in Australia. What are your concerns there? Do you have concerns that this legislation may put us in that position in Australia? What should we be doing in order not to go there?

Prof. Smyth—In my burst in the beginning about the investment state, I drew attention to the last page of our submission, which outlines the brotherhood's position on how, if IR reform is going that way, you might do that without ending up like America. There has to be a lot of concern, because the big thing about wages and welfare is that, if we want to get people into work, we have to make sure that they are going to be worse off in welfare, otherwise they will be attracted to that option. It goes back to the 19th century: the poor law was the principle of less eligibility. You had to make it so tough to be on welfare. I remember the Poor Law Commissioner—not personally, but he is quoted in the textbooks!—saying that the experience of being in the poorhouse had to be made so miserable and demeaning that no person would ever wish to go there. Hopefully, we are not heading in that direction, but that is the thing about wages and welfare: if the minimum wage is frozen or falls, the pressure will inevitably be to keep lowering what people can get through the welfare system to keep them off welfare and in even the lowest of the low-paid jobs.

Senator ADAMS—Does it worry you that six out of 10 Indigenous Australians are on welfare benefits, much of it passive welfare? Also, doesn't the prevalence of welfare dependency amongst Indigenous communities mean that reform is needed, including the lifting of the remote area exemptions and a return to the CDEP program?

Prof. Smyth—The brotherhood does not have specialised experience in that, though we have attended to the debates around it. There have been some very significant commentators in this field, especially Noel Pearson from Cape York and the Cape York institute in the work they have done. I would draw your attention to the recent paper that Noel gave at the Centre for Independent Studies. I thought that was a very significant paper in that it reflects something that the brotherhood and the Melbourne Institute in partnership with the federal Treasury have been engaged in, which is trying to think through disadvantage—its causes, its dimensions and how to respond to it—relying on theories of social inclusion and exclusion and the work of people like Sen.

What Noel presented in his paper is something we will be presenting in our paper on child poverty on 7 December, which is that we really have to think about the purposes of welfare as capacity building. It translates quite readily into the issues we have been discussing here, for instance, about white society in Fitzroy or Melbourne. This is immediately identified in terms of education, training, capacity building and all the sorts of things we have talked about. But I

noticed on *The 7.30 Report* that a delegation visited some Indigenous communities and came up with a conclusion—or seemed to suggest—that perhaps all the Aborigines would have to move out of inner Australia because there are no jobs in remote areas. I think that it just presents such a different category and it raises different issues. Is that really the solution? Shouldn't Aboriginal people have a right to their traditional lifestyle? In that case, I do not think you can realistically expect those Aboriginal people in remote communities to be doing nine-to-five jobs on the wages and pay conditions of an Aboriginal person working in the city.

I think that making a special social policy arrangement to support some of that traditional living—it may have some mix of market based activity if possible but be generally supported by what we would call welfare—would be one option. Moving them out would be another option, but that would seem quite an extraordinary one to me. But that is the sort of thing that is being mooted. It underlines my point that the issues around Indigenous welfare really have many very different dimensions to issues around unemployment for white people in mainstream society.

CHAIR—You are not suggesting that the traditional lifestyle for Aboriginal people is to be welfare recipients, are you?

Prof. Smythe—No, I am just saying that, from my discussions with various people involved in policy development for Indigenous people, the notion that they would go from, say, a fairly traditional lifestyle in a remote area to a real job in the real economy is just not possible, because there is no—

CHAIR—But, again, they are not required to make that transition unless they wished to receive welfare payments. If they are living a traditional lifestyle in remote communities, presumably they can do so without having to receive welfare. But, if they wish to receive welfare payments, they are in a position where they have to accept, presumably, some level of obligation.

Prof. Smythe—I come back to my earlier theme about what social policy is for. Our campaign at the Brotherhood of St Laurence is that it cannot just be about everybody going from welfare to work. Everybody needs a welfare and work mix. The part-time worker or the sole parent may have a combination of paid work and also support from the government to affirm and support her or his role in parenting. What I would throw into the pot here is that Indigenous communities, having lost, in many cases, the traditional basis of their way of life through a whole heap of historical and other circumstances, present a different challenge. Part of the solution might be payments which maybe could be in recognition of some participation, to use the buzzword of today. It would mean trying to identify what sorts of participation you could reward or acknowledge with resources and income in the way that we acknowledge parenting, caring and other things.

Senator ADAMS—I am from Western Australia. There are some terrific programs being run in the northern area of the state with the mining companies and the community health workers. I know exactly what you are talking about. They are working very well. These people are on part payments plus they are being remunerated for whatever they are doing.

Prof. Smythe—That is great.

Senator ADAMS—It is working very well and they are keeping them out of prisons as well. There are certainly some good programs around, so it is possible.

CHAIR—I thank the representatives of the Brotherhood of St Laurence and Anglicare for their appearance today and for the submission they provided to us.

Prof. Smythe—Thank you very much for the opportunity.

Proceedings suspended from 4.18 pm to 4.35 pm

DUNDAS, Ms Roslyn, ACT Convenor, Women's Electoral Lobby**GRAY, Dr Gwendolyn, Member, National Policy Committee, Women's Electoral Lobby**

CHAIR—As we have had problems reaching the National Ethnic Disability Alliance by phone, we welcome representatives from the Women's Electoral Lobby. Thank you very much for appearing. Thank you for your submission, which we have received and numbered 14. In addition, thank you for being flexible about your time in front of the committee this afternoon. Would you like to make an opening statement about the contents of your submission before we proceed to ask you questions?

Ms Dundas—Yes, thank you. We thank the committee for inviting us to participate. We recognise the very short time frame that the committee has for its deliberations on what are some very important pieces of legislation and we would express our concern about that time frame. The ideas and policy changes being put forward in these pieces of legislation will have fundamental impacts on those who are the most marginalised in our community. WEL believes that there should be broader debate on these pieces of legislation and that more work should be done in looking at the underlying issues that are directing the government towards these pieces of legislation.

In our submission we again call for a work-life balance commission to fully investigate the proposals put forward not only in this piece of legislation but also in other pieces of legislation and to look at the impact of the current work-life balance in our community and how that particularly impacts on sole parents and those with a disability. That will enable true statistics and a broader picture to be developed before the answers put forward in this legislation are enacted.

We also believe that this current legislative program fails to recognise that many sole parents and women with disabilities will not be able to find work in what already is a tight labour market, given their limited experience and ability to undertake certain hours and/or types of work. Many of those receiving income support have not been able to find work in the past because of personal circumstances that are exacerbated by poor levels of education, little or no recent work force experience and a lack of confidence. Health problems, cost of transport, the needs of their children and many other issues impact on their ability to find what already are scarce jobs. On the other hand, many sole parents want to work and many currently work in paid or unpaid capacities. WEL believes that this legislation is unfairly harsh in its understanding of the reality that many sole parents are facing.

We have to ask with this legislation: why do tax cuts encourage the better-off to work harder, yet income cuts are assumed to work for those on lower incomes? It seems that we are putting the carrot and the stick the wrong way around in this situation. We are also concerned about the breaching conditions that will be put forward with the changes in this legislation. It seems unduly harsh that parents will be forced to go without income for eight weeks if under this legislation they are breached; yet there appears to be no discretion. It is just a matter of compliance without necessarily looking at the underlying issues that may cause the sole parent to fail to meet those obligations. This also will put extra stress on families that are

already stressed and it will not result in a better confidence outcome or a better welfare outcome for those families as a whole.

In particular, we would stress the impact that this legislation will have on women. They will be impacted on unduly through pay and working conditions and bargaining, especially if this legislation is looked at in the context of the Work Choices legislation. Women do not necessarily have the experience or the capacity to negotiate their own working conditions, especially if they are working in the casual area, trying to manage shifts and looking for some certainty so that at least they can keep to a timetable in looking after their children.

In addition, there still are ongoing societal pressures with the role of women in the home and the work that they can undertake. Quite often women are still seen as those who do all the work in the house plus now all the work outside of the house to bring in income for families. In addition, many women work in the provision of care services and, in their ability to maintain working conditions, they will be impacted by the global legislation that the government has put forward. As I said earlier, we would stress the need for a work-life balance commission to monitor the current situation of sole parents and those accessing disability benefits before these legislative changes are put forward as obviously the government's answer to what it has identified as a problem but without necessarily looking at the underlying issues that have caused it.

CHAIR—Dr Gray, do you also want to make a statement?

Dr Gray—I do not have a prepared statement, but I would like to say that I think we all know that living on benefits is fairly difficult. Benefits are not a great way to live. We also know that many sole parents are not on benefits for very long; many get out to work as fast as they can, because that is the best way out of poverty. This group in our society lives in great poverty. I suggest that, if we had the resources to do proper surveys, we would find that people who are not working are those with special conditions and in special situations. They would have children with problems or would live in areas where there is not much work. We all know of the work of some economists about ghettoisation. People on low incomes go to live in areas where housing is cheap. Of course, housing is cheap in those areas because there is no work there. That will mean that, in those areas, the costs of going to work will be very high and so on. This is a particular concern for women with disabilities: the costs of going to work, the costs of transport, the costs of special clothes, the costs of getting carers at certain times of the day and so on will outweigh any benefits.

We suggest that, if we only were informed about it, we would know that the people who are not working—single parents and people with disabilities—are those who have such great needs in this kind of a labour market that it makes it very difficult and, for them, it becomes preferable to live on this very low income, almost in poverty, rather than to go out to work.

CHAIR—Thank you very much for that. Some of the other submissions to the committee have suggested that, rather than implement the reforms that are on the table at the moment with respect to women returning to the work force, particular women—obviously, this would apply to any single parent family—should be able to continue receiving the parenting payment single until their child is variously between 12 and 18 years of age. Does WEL have

a view about that? Would you suggest a particular mechanism to allowing women to continue playing the role of parent and homemaker in preference to being in the work force?

Ms Dundas—We do not have a particular formula, if that is what you are looking for. But it needs to be recognised that people will look to return to work when they have the capacity to do so—when they believe that their personal situation is such that they can return to the work force. As Dr Gray has already outlined, people do not want to continue living at poverty levels, they wish to return to the work force, but people have individual circumstances and different things will impact on them—the number of children they have, any special needs that those children might have, the area where they are living, their ability to find work and their educational outcomes. So we would say that the proposal of needing to find work once their children reach the age of six and moving on to Newstart once their children reach the age of eight is not the way to go. Certainly, that is why we would call for true investigation of the situation facing sole parents—to get a better picture of what would be a better formula for supporting parents back into the work force.

CHAIR—It is possible that we are overgeneralising when we talk about all people receiving welfare payments wishing to go back into the work force. For example, it is quite likely that a significant number of people who receive income support of various kinds have other forms of income that have not been disclosed or, for a variety of reasons, are quite comfortable receiving income support and do not wish to return to the work force. Couple that fact—I think it is a fact but you might dispute it—with the reality that in 700,000 Australian households—I suspect most of them are women-only households or women-led households—no-one is working. Does that not give us an imperative to drive forward some reform to our welfare arrangements that goes beyond merely encouraging, coaxing or providing training packages to get people into work? Do we not need more than that to deal with people who are not willing to be in the work force or for whom being in the work force does not suit them?

Ms Dundas—To get to your point, this legislation has a generalistic sweep across the entire population of sole parents. As I said earlier, it is very much a stick approach to underlying issues in our community and certainly not a carrot approach of supporting people back into the work force. These legislative changes focus on breaching people, on punishing them, for not having paid work; they do not support people, especially those on disabilities, in the difficulties they are currently facing. They do not provide them with encouragement to return to the work force. With that in mind, there are statistics that there are about nine applicants for every job that becomes available, that there are not enough positions for people who have not been in the work force for a very long time and who might not look good on paper when they are putting in applications for those positions. So punishing them for taking time out of the work force to raise their children—be that out of choice or necessity—does not encourage a good welfare system; it does not encourage a good workplace system.

Dr Gray—Senator Humphries, you are probably right that some people do not particularly want to go back to work when they have small children, because parenting is a very arduous sort of job, and single or sole parenting is even harder than that. The work of people like Bob Gregory at ANU show patterns amongst the 700,000 families, whom you are talking about, who are out of the work force and amongst the generations of people who have been out of the work force. His thesis is about ghettoisation—people moving to certain areas where

housing is cheap, where jobs are few and so on. These people do not want to go out to work because they have to travel miles and miles. And, especially in the case of single parents, if they are going to be working only 15 hours a week or three or four hours a day, getting to work is probably going to cost them as much as they will earn when they get there, if they can find a job.

CHAIR—Sole parents, on average, are on welfare dependency for about 12 years. That is a long time to be out of the work force. It is a very poor model to present to the children in that family. Do you not think we should be taking steps to actively reduce that period? By that, I mean more than simply measures that would encourage people to retrain and to consider programs that might ease them back into the work force?

Ms Dundas—I would challenge the idea that, whilst these people are accessing welfare benefits, they are out of the work force. Many parents and sole parents contribute to their community through unpaid work, volunteering in their schools, raising their family and looking after their children which, while it is not necessarily counted in the census as work, is a hard task and one which needs to be done within our community.

CHAIR—I do not doubt that it is a hard task, but it is not participation in the work force in the sense that I am referring to in that question.

Dr Gray—Isn't that figure of 12 years on the high side? I have seen figures that are considerably less than that. I think that must be for people who are partly working and partly on benefits for it to get that high, because I have seen a figure at a much lower level than that—about four years.

Ms Dundas—If they are partly on benefits, it means they are partly being self-sufficient by earning income.

Senator McLUCAS—I think it is about connection with the welfare system, not dependency on it.

CHAIR—The figure comes from the minister's office, so we can test that on Wednesday morning.

Senator McLUCAS—Yes, we should test that on Wednesday morning.

CHAIR—Senator McLucas, do you have questions?

Senator McLUCAS—Thank you for your submission. I do acknowledge—and we as a committee have acknowledged—the short time frame that we have had to deal with the complexities and breadth of this legislation. I particularly want to thank you for the way you have expanded the discussion around connection with the welfare proposals and the IR proposals and acknowledge that you have made three quite sound recommendations around them. In the course of today we have spoken with the department and a whole range of other witnesses to try to ascertain if there is any evidence that says that a reduction in payment will actually lead to greater participation in work. Do you know of any evidence that says that reducing a person's payment in and of itself leads to a greater participation in work?

Dr Gray—I do not know of any evidence. Indeed, we have been reducing payments for quite some years in most Western countries, haven't we? It is a whole question of whether you see work as being determined by supply-side forces or demand-side forces. If there are not

enough jobs, as Roslyn has said, reducing payment is not going to make a great deal of difference. It might force some people to find a job somewhere, but of course that is a job that someone else will not have.

Senator McLUCAS—That leads into the whole interrelationship between lower rates of pay, having to take a job simply to comply with the welfare regime, irrespective of whether it is the right thing to do for your family.

Ms Dundas—I think you have opened up a very important point there. Job applicants who will be on Newstart payments will not be able to refuse shifts. So, if sole parents who are looking for work are offered a shift on a weekend where they might have access to their children or are offered shifts in the afternoon when they would like to be at home caring for their children after school, they cannot say no. That will have a huge impact on their family.

There is also the problem of how it will work for families where the parents are separated. If the other parent is on Newstart for whatever reason, they can no longer necessarily work on access arrangements following Family Court orders because their shifts, with their unpredictability and their inherent nature of not being able to be locked down for long-term planning, requires them to go to work. It means that their children will be unsupervised for longer. Both parents might not be able to access their children for the same amount of time, so the family network will actually be further eroded or broken down by these pieces of legislation.

We do recognise that the secretary will be able to exempt parents where there is no care available, but there is no clarity in the legislation about how that provision would be used, the discretion allowed, the turnaround time for making a claim or how Centrelink officers will be informed of the need for that to be passed up the chain. It is very unclear and is another of our concerns related to how this legislation is being rushed through.

Senator McLUCAS—You raised a good point about someone who maybe has some hours in a casual position and is offered a weekend shift. To all intents and purposes child care is available on the weekends, but whether that person can access it in the time frame they have been given by their employer, with the potential to jeopardise the current position and the hours they do have that are of a predictable nature, you can see that family having enormous difficulty trying to grapple with not only the industrial relations system but also the impact on access to their welfare payments and the potential of jeopardising that access by not taking that shift.

Dr Gray—My understanding is that casual child care is very difficult to access and that it normally has to be booked very far in advance because it is too expensive for child-care establishments to have vacant places, so the whole casualisation of the work force is very bad for women who work part time.

Ms Dundas—We know that young children do get sick quite often, and child-care centres will refuse to take in sick children.

Senator McLUCAS—As they have to.

Ms Dundas—That has an impact on the ability of sole parents to access shifts.

CHAIR—My understanding is that the package put forward by the government says that inability to obtain child care, obviously regular child care, is a basis on which a person can be not required to participate in the work force.

Ms Dundas—As I said earlier, it is unclear how that provision will be exercised in relation to what the turnaround time will be in making application to say that you are unable to take a shift based on a difficulty with child-care arrangements, what level of proof is required, who that proof is required for, what level of discretion will be given to officers at each Centrelink office and what level of information they will be able to provide to people accessing it. It is very unclear, and it is untested. Because it is discretionary, it could possibly lead to confusion between people telling their friends that they were able to do one thing but that same discretion not being applied to a different set of circumstances. It will create a lot of confusion in the system.

CHAIR—It is a further indication of the need for some clarity about what the package proposes, but that does not necessarily mean that it is not provided for. It just means that it might not be clear at this stage how it will be provided for or to what extent it will be provided for.

Ms Dundas—And how it can be accessed is a very important question. Unless that can be clearly communicated, there is no point in having that discretion at all because people who need to access it will not be accessing it.

CHAIR—There is also the point that many parents already in the work force have the same difficulty, particularly single-parent families already in the work force, in obtaining last-minute child care. It is one of those problems that parents face. You could argue that there is no reason to distinguish between those already in the work force who face that difficulty and those who are coming into the work force and looking to overcome the same problem.

Ms Dundas—That is why we raised concerns about the Work Choices legislation, which will impact on the ability of individuals to negotiate certain working conditions.

CHAIR—That is another debate.

Ms Dundas—I do not think they can be detached, because it will have an impact. We are looking at legislation that is asking people to move into the work force in ways in which they have not been asked to do so before. Coupled with a changing workplace relations legislative system, it will impact greatly on people who may have been out of the workplace for a while and who are now entering the workplace without any understanding of how to negotiate their own workplace conditions, under the fear that they cannot refuse shifts yet not being able to negotiate a change in shifts, with their employers.

CHAIR—Why would they not be able to negotiate a change in shifts?

Ms Dundas—Because they might not understand how the new Work Choices legislation works. They might not have the confidence to know that they could be able to ask for changes in their shifts. And, of course, under the new Work Choices legislation they might not feel they have the security of their employment tenure to ask for changes in shifts.

CHAIR—We do not have time to go there at the moment; we have our next witness on the line. To give them half an hour we are going to have to draw this to a close, unless there is a burningly important question that cannot go on notice.

Senator SIEWERT—I will put a question on notice. Last week at the IR committee hearings we heard about the impact of the IR legislation on the gender pay gap. The experience in Western Australia under the 1990 changes was that it increased. I would be interested in your thoughts on that, and on how it interacts with the proposals contained in the legislation we are discussing.

Ms Dundas—We can take that on notice and draft up a short paragraph to add to our submission.

Senator SIEWERT—I notice that you have raised it—you have talked about its interaction with the IR stuff—but I would be particularly interested in the gender pay gap.

Senator POLLEY—I will ask a question on notice too in relation to the new Work Choices legislation that is coming in. My state of Tasmania already has the highest unemployment figures in the country. The minister has commented that if you do not like what the boss is offering you then you can go for another job. The stark reality in Tasmania is that there are not any other jobs, and women are already the most disadvantaged within our community. Have you had the opportunity to look at the impact on a place like Tasmania, which not only has a small population but also has a lot of rural and remote areas? A significant number of our population rely already on Centrelink payments. Would you be able to come back to us with any figures or your views on that?

Ms Dundas—Certainly. As we have already expressed, it is the carrot-and-stick approach. It is using a stick to force people to take jobs that are not there that is one of our underlying concerns with the Welfare to Work legislation that is before the committee today.

Senator POLLEY—Thank you.

Senator MOORE—On notice, Ms Dundas, can we find what correspondence you have had with the minister in terms of information exchange on these issues.

Ms Dundas—We will certainly have to take that on notice, Senator.

Senator MOORE—Fabulous.

CHAIR—And there is a question on notice from Senator Adams.

Senator ADAMS—You have made the statement that there is a tight labour market. I come from Western Australia—so we are going from Tasmania to Western Australia—which has five per cent unemployment. We have huge skilled and unskilled labour shortages. I want to know what your definition of a tight labour market is, because I cannot follow it as far as our state goes.

Dr Gray—There is a mismatch between the skills that are available and the jobs that are available.

Senator ADAMS—No, I do not agree.

CHAIR—You can respond to that on notice, if that is all right. I thank you very much for your appearance today and your fleetness of foot to be able to fill in for somebody else. They

are now on the line, so we will have to cross to them. Thank you very much, Ms Dundas and Dr Gray.

Ms Dundas—We thank the committee for their time.

[5.03 pm]

QIAN, Ms Diana, Executive Officer, National Ethnic Disability Alliance

Evidence was taken via teleconference—

CHAIR—We have the submission which NEDA has made to the committee. It is numbered 41. Thank you very much indeed for preparing it and submitting it. We have looked at the submission, but would you like to speak to it before senators ask you questions about it?

Ms Qian—I would like to make a very brief statement. First of all I would like to thank you for the opportunity for me to give evidence today. It is unfortunate that the short time frame of the inquiry does not allow a more in-depth elaboration of the issues that people from non-English-speaking backgrounds with disability experience. NEDA is an organisation that represents the rights and interests of people from NESB with disability, their families and carers in Australia. A quarter of the disability population are from NESB, whether they are first generation or second generation. So it is quite a significant proportion. We are disadvantaged not only due to our various disabilities but also due to cultural and linguistic barriers.

NEDA is strongly opposed to the proposed changes as we believe that they will further disadvantage people from NESB with disability in the community. The major barriers to employment are systemic—for example, discriminatory and racist attitudes in the community, inaccessible venues, inaccessible transport systems and a lack of adequate support for people from NESB with disability. They are mostly not individual problems, so we cannot see how cutting payments would increase work force participation.

The other major concern that NEDA has is that employment services do not have the resources and the skills at the moment to provide adequate services to people from NESB with disability in order to produce a positive outcome. There are a whole range of issues as to why that is the case. There are two main reasons: one is the lack of interpreters and essential information available in community languages and the other major concern is the racist attitudes and the lack of cultural competency within the employment service system. We cannot see how the changes will produce positive outcomes for people from NESB with disability by pushing them into an employment system that, as I said, is not adequate to deal with the cultural diversity and the needs of people from NESB with disability. At the end of the day, the work force participation of people from NESB with disabilities will not improve because of the changes. I will leave it there. That is my opening statement and I am happy to answer any questions.

CHAIR—Thank you very much for that.

Senator ADAMS—I was rather surprised, looking at your submission, that you say:

Disability employment services are clearly incapable of delivering equitable services to people from NESB with disability. Lack of information available in community languages and racist attitudes of service providers are examples of the range of specific barriers experience by people from NESB.

That is a pretty strong comment. Could you give us a little bit more information on that?

Ms Qian—I have given some statistics about the proportion of people from NESB in the disability population; it is about 24.5 per cent. However, the participation rate of people from NESB in an employment service averages about six per cent. So there is a huge difference between the number of clients from NESB in employment services and the proportion existing in the disability community. That has been the case for quite some time, and the reasons are that people from NESB usually do not know that employment services exist and what they are supposed to do. Very few employment services produce information in community languages. I will give you another example. The Department of Family and Community Services earlier this year produced an information kit about disability employment standards and clients' rights, but the information kit is not available in any language except English. How would a client from NESB find out about essential information, such as their rights, if the information is not actually available in their language?

When someone from NESB with a disability finds out about employment services, they encounter further problems. Most employment services do not have the resources or are not willing for whatever reason to provide interpreting services. If a client has very little English, they will not be able to get an equitable service because interpreters are not available. Some employment services are not good at recognising and respecting cultural differences. This is where racist attitudes and a lack of cultural competency comes in. I will give you another example. A young woman from a Chinese background recently acquired a physical disability. She approached a rehabilitation service seeking to do some further studies so that she could re-enter the work force. After assessment, the rehabilitation service arrived at the conclusion that because her English was not good enough—according to their standards—she did not have the intelligence to go through tertiary education and then refused to provide her with assistance. Such a conclusion was drawn because they made the assumption that her language skills were an indication of her cognitive ability. That is simply an outrageous assumption that the service provider made.

Senator ADAMS—Does your organisation have a complaints process?

Ms Qian—Do you mean an internal or external complaints process?

Senator ADAMS—You have made the statement that these disability employment services are incapable of delivering services to the non-English-speaking background people.

Ms Qian—Yes.

Senator ADAMS—As an organisation, how do you—

Ms Qian—How do we deal with the issue?

Senator ADAMS—Yes—file these complaints. What do you do?

Ms Qian—NEDA has existed for about 10 years. NEDA is funded by the Commonwealth's Department of Family and Community Services to provide policy advice to the government on federal issues. NEDA itself does not take on individual cases. It does not provide individual advocacy; it provides systemic advocacy. The way it tries to get some attention for the range of issues that it knows that its consumers are dealing with, it raised those issues with the Department of Family and Community Services when they had the responsibility for supported employment and open employment services. It is now raising

these issues with DEWR. It is fairly persistent about raising the issues at every opportunity it has; however, it has not seen any practical outcomes from those departments. It has not even obtained a commitment or recognition that there is a problem here, that there is an issue here that needs some attention. Regardless of its continuous lobbying and raising of the issues, it still has not got anywhere near addressing the issues.

Senator McLUCAS—Thank you for your submission, and in particular the analysis of both the census and the DFACS work that was done. I also want to talk about employment services. Are you aware of any specialised employment services that work with people from non-English-speaking backgrounds or culturally and linguistically diverse people?

Ms Qian—There are some Job Network services, there are employment services that work with people from NESB, but there is no service that works with people from NESB with disability. The open employment services, including specialist disability services, have expertise in providing services to people with a whole range of disabilities. But the problem with that is that they only cater for one ethnic background—that is, Anglo-Australians. There are no specific services; they are not mainstream. What I mean by mainstream is a service that is multicultural, that reflects the population make-up of our community. As I said, 24.5 per cent of our community are people from NESB and we do not have services, whether they are disability services or any other kind of service, reflecting that diverse range of cultures and abilities. To answer your question: no, there is no service that caters for people from NESB with disability.

Senator McLUCAS—I want to go back to the Job Network providers that you said do have more of a focus on NESB or culturally and linguistically diverse people. Do they have a better success rate than the average that you have described in your submission?

Ms Qian—I am not aware of their success rate of supporting people from NESB with disability. I am sorry; I am not aware of what the outcomes are.

Senator McLUCAS—Your submission reads as if you are advocating that we do need both open employment services and Job Network agencies that are more understanding of people with cultural differences along with a disability. Is that what you are saying?

Ms Qian—Yes, we are arguing for all services to be culturally competent. Both Disability Employment Services and Job Network services need to have a whole range of skills—and resources, because interpreters do cost—to cater for clients from NESB. With the Job Network gradually taking up clients with disability, it is equally important for Job Network services to be monitored under the same disability employment standards as Disability Employment Services are, because Job Network now provides services to people with disability. They need to be accessible to people with disability but also people from NESB. I am talking about not just putting people in boxes—that is, if you have a disability, go to this service; if you are from NESB, go to that service. All services should be able to cater for the range of diversity that we have in our community.

CHAIR—In the package the government has announced I understand that there are some Job Network places specifically for people from non-English-speaking backgrounds and that these services are proposed to be offered—as, indeed, the ones that are already there are—through settlement services. Do you believe that the number of such places offered in the

package is insufficient or that the nature of those places should change in some way? Do you have any other comments on what is proposed in the package with respect to specific language, literacy and numeracy programs run by DEST for people from non-English-speaking backgrounds?

Ms Qian—I have to say I have not had the opportunity to look at the package very closely. I cannot say how many places are actually adequate. For people from NESB with disability, as I said earlier, we need the cross-section of skills. Whatever is offered has to be adequate for people from NESB and also for people with disability as well. With regard to literacy and numeracy courses and places, that is also used to place people from NESB with disability because there are no jobs out there for them due to the whole range of systemic reasons that I mentioned earlier. What people from NESB with disability often experience is that they get sent to yet another language course. You have people going to language courses through TAFE or wherever for ever and a day and all they want in the end is to get a job. They do not want to go to another language course.

For a lot of adults from NESB, if the person also has acquired brain injury or a cognitive disability, learning a new language is actually very difficult. So going to a course often does not help them. For new migrants, for settlement services, yes, of course it is really important that they have the opportunity to go through a language course when they first arrive. But, as I said, a lot of people from NESB with disability acquire their disability here. So settlement services are not appropriate for them, and they would not be eligible anyway. Does that answer your question?

CHAIR—Yes, it does. Thank you very much. The questions from the committee are exhausted for the moment. I thank you very much indeed for your submission and for the fact that you have waited around this afternoon for us to get our phone line through. We greatly appreciate your patience and effort before the committee this afternoon.

[5.26 pm]

GILL, Ms Annette, Policy Adviser, National Employment Services Association

SINCLAIR, Mrs Sally Margot, Chief Executive Officer, National Employment Services Association

CHAIR—We have a couple of surprise witnesses for the afternoon to finish it off. I am very pleased to be able to welcome representatives of the National Employment Services Association. We have extended our hearings a little bit so we can accommodate you. We are pleased to have your submission, which we have in front of us. I think we have all got a copy of the submission. We only have limited time, but would you like to make a statement about the thrust of your submission? Then we might ask you some questions.

Mrs Sinclair—We would like to thank the committee for inviting us to participate and also for the demonstration of flexibility, obviously under circumstances of confusion. We would certainly like to reinforce that the employment services industry acknowledges that work force participation is a very positive initiative. We have many providers in our network, and the job seekers who they work with, that demonstrate great success stories in achieving work force participation. Given the brevity of the time frame, our submission was really focused on the compliance framework and the service delivery arrangements required to support the legislation.

In a general sense, the experience of providers—as demonstrated particularly in the disability support pensioner pilot and a program known as Transition to Work, which has been designed to assist parents and carers returning to the work force—has reinforced that there are many people on income support who we know would like to have increased participation and who volunteer where the services have been attractive and where positive engagement strategies have been adopted. Our experience has also informed us, however, that where we have been unable to provide truly flexible, tailored and well-resourced services—particularly to parenting payment and DSP recipients—whilst those programs have been voluntary they have chosen to exit the system. So it is our view that, if we want to maximise participation and ensure that we minimise noncompliance, the experience gained through initiatives such as the disability support pensioner pilot and Transition to Work should inform the service delivery model and the compliance framework under Welfare to Work.

For example, we know through the disability support pensioner pilot that immediate access to what is known as intensive support customised assistance in the Job Network was a significant factor in improving employment outcomes. That is not reflected in the current policy framework. We also know that access to immediate service interventions through employment preparation for parents is highly desirable. That is not entirely reflected in the policy framework as it will apply under the 1 July changes.

Employment service providers, particularly in rural and remote areas, have reflected some concerns about being able to provide accessible services without additional support. For example, there are no additional resources available to assist the participation of job seekers with a disability or parents who are locationally disadvantaged and who are not automatically

eligible for intensive support. We believe that more resources are required to deliver an accessible, tailored and flexible service model to rural Australia.

We believe that the compliance regime needs to be consistent and compassionate. Appropriate mechanisms need to be in place to identify those income support recipients who are at high risk. Current mechanisms are thought to be very process driven, with a focus on completing the task, often resulting in indicators of barriers such as mental health issues or homelessness being overlooked. The manner in which tools such as the job seeker classification instrument are applied is equally as important as, if not more important than, the design itself to ensure that they effectively identify barriers to employment and stream the job seekers into the most appropriate services required. Again, we believe that more training and more resources are required to prove the application of those tools.

Comprehensive work capacity assessments will also commence on 1 July. We are optimistic that these will be a positive addition to employment services. We also need to ensure that these are quality and comprehensive. We will be keen to ensure that an appropriate evaluation framework underpins that. Comprehensive work capacity assessments and welfare reform will be implemented at the same time. However, it will actually take some time for those comprehensive work capacity assessments to review income support recipients and to assess their capacity for work in the appropriate service stream. The transition period, therefore, needs to be carefully managed to ensure that vulnerable job seekers who are not currently identified and will not be until that system is fully in action are not caught up during this period.

We need to be clear that the mechanisms to identify people at risk are properly established prior to the introduction of new compliance rules. We know that many vulnerable job seekers are not identified through the mechanisms currently in place. Frequently, it is not until many job seekers have been in assistance for some time and they enter into more intensive services, such as intensive support customised assistance, that the full extent of barriers is identified. We also know that many of these job seekers have a poor compliance history, which is understandable in the context of their barriers to employment. What is of concern, I suppose, is that job seekers can go through so many processes and be engaged for such a long period of time without the identification of those barriers being achieved. Again, we are optimistic about the new framework and the objective of having that assessment done more comprehensively at the front end. We have some concerns, however, about the timing of the implementation and just what will happen to those people who currently are not or have not been effectively assessed.

CHAIR—Thank you very much, Mrs Sinclair, for that overview. I assume that your organisation is involved in consulting with the federal government about the implementation of this package.

Mrs Sinclair—Yes, we are.

CHAIR—The statement has been made today in evidence that one of the problems with bringing forward a package which ushers parents and people with disabilities into the workplace, or the job market, is that there are not the positions, there are not jobs out there for

them. As a service provider you would have some idea of whether or not that statement is a fair statement or an exaggeration. Could you react to that?

Mrs Sinclair—The labour market is currently quite strong. Demand is high. The reality that we find, however, is that the demand is high for current skills or for job seekers who are predominantly work ready who may need some fairly short-term interventions to upskill them. The reality is that when you have a five per cent unemployment rate you have people who are residually unemployed who often have very significant barriers to employment, so it is not a straightforward solution to say we have X number of jobs and X number of people and we can have some short interventions and match them together. I think that that is essentially how we are seeing it on the ground. The demand is certainly there. There is a supply, but it is about how you make sure that you actually develop the supply to meet the needs of the demand. It is not necessarily a set of short-term training interventions that will properly equip those current job seekers who are there in the supply—both those who are on current allowances and those who will be coming into the system under the new measures.

CHAIR—Are the sorts of positions being sought by employers in the marketplace mainly positions with reasonably high levels of skills which will take a person entering the marketplace a long time to acquire?

Mrs Sinclair—It is hugely variable. I suppose we could reflect on where we are having our successes currently in terms of addressing gaps. They are most characteristically in the retail sector, in aged and community services, disability services and health, where, with appropriate industry training partnerships, we are able to provide suitable short-term training interventions which will then transition people into employment and some ongoing employment and training and development support. However, when we look at the areas of the trades, for example, that is quite a different consideration, where we are looking at traditional trades, in particular. The reality is that there needs to be a much more significant investment in the job seeker's development, with those we would be working with in the pool, to develop them to a point where they will be able to best and most effectively address the skills gaps. So it is quite varied but, as an industry, we are working in the areas and with the employees where there is high demand and where they are demonstrating a commitment to training, and we are partnering with them and with the job seekers in that process.

CHAIR—Do you represent people who provide services to people with disabilities?

Mrs Sinclair—We have in our membership virtually every program that is delivered through the employment services industry. In our membership we have Job Network generalists; Job Network specialists, which include all of the specialist disability providers and the culturally and linguistically diverse job seeker providers; disability open employment service providers; personal support program providers; and other providers of pre-employment programs—Indigenous Employment Program providers. So, yes, it is quite diverse.

Senator WONG—One of the things you point out on page 4 of your submission, Mrs Sinclair, is the difficulty a low-skilled job seeker has in finding a pathway out of low-entry jobs and, I presume, in also finding a job, full stop. Would you agree with that?

Mrs Sinclair—Yes, it is challenging; that is correct.

Senator WONG—Are you aware that the current legislation does not permit training or skills acquisition to satisfy the 15- to 25-hour obligation? Given what you have said about skills, do you think there would be benefit in allowing job seekers, such as sole parents, to train for a period before being required to look for work?

Mrs Sinclair—It is an interesting question, because there is varying evidence in terms of which comes first—the training and the job, or the job and the training whilst on the job. At the end of the day, our experience as an industry is that, whether one precedes the other, one supersedes the other or they happen concurrently, if you can leave that as a client-centred approach—

Senator WONG—But it is not client centred under the current bill; that is my point.

Mrs Sinclair—No, but what might be of concern is if, in implementing such a system, the individual all of a sudden disengages from the provider and the opportunity to transition quickly into the work force. The more resources that are available, the better, and the more resources that are in the hands of the potential job seeker, the better, but it is also important to make sure that the service delivery arrangements are not basically interfering with good practice.

Senator WONG—Sure. The issue is not the amount of resources people have; the issue is the time. For a sole parent with a child turning eight, under this legislation if they do not have a job they will be required to look for work, equivalent to the 15-hour part-time work search requirement. Under the current bill, they would not be permitted to count training for the purposes of that part-time work test. The evidence we have heard today is that the majority of sole parents who do not currently participate in the labour market have a year 10 education. Do you think the people in that situation would benefit from engaging in some training in terms of their employability?

Mrs Sinclair—Yes, they definitely would and they would benefit even more so where they have assistance from a service provider so that there is a mentoring, coaching and guidance role.

Senator WONG—Within the context of a case management approach?

Mrs Sinclair—Yes, that is right, but underpinned by the service delivery framework, most definitely.

Senator WONG—Would you agree with the principle that a person with a low level of skill is likely to increase their employability if they undertake relevant training?

Mrs Sinclair—Absolutely.

Senator WONG—You made the point on page 5 of your submission:

There is wide concern amongst the employment services industry that the provisions within the Employment Preparation service will not be sufficient to meet the needs 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.

Can you explain that in more detail?

Mrs Sinclair—There are two models. There are the parents with recent work experience—and by definition that means experience within the last two years—who will be entitled to the employment preparation service, but only after they have been in the Job Network for three months. In the first three months they will have, as you know, one interaction and a vocational profile and a resume developed. Then at the conclusion of those three months they go into employment preparation concurrently with Job Search training. For those who do not have recent work experience, they will be automatically eligible for employment preparation. But this basically means three contacts in three months rather than one, if they were in Job Search support. At the conclusion of that process they then go onto the Job Search training intensive support path. 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 options available to both the job seeker and the provider in terms of the expenditure of that account.

Senator WONG—Why is there concern particularly in relation to parents? I can understand why you would say the three contacts in three months is inadequate, and the \$300 probably would not go that far in terms of somebody who has been out of the work force and requires some additional training. Why in particular do you think it is inadequate for parents?

Mrs Sinclair—We think that the most adequate system in terms of intervention is, again, where you have a client centred approach and more reflective of what is referred to as the customised assistance level in the Job Network where there is a significant level of investment both in terms of the service delivery arrangement and in terms of the job seeker account. Essentially, you can customise, as its name implies, the assistance to the individual and you can look at an expenditure, which is just over \$800 in the job seeker account, which will enable you to make some genuine progress on behalf of the job seeker. Why specifically in relation to parents? We think, in an ideal world, that you would actually have for both disability support pensioners, which is what the pilot program demonstrated, and for parents a customised assistance service.

Senator WONG—Which you currently do not get for how many months?

Mrs Sinclair—Twelve months of unemployment.

Senator WONG—Basically you are saying that, for the first 12 months, for a great many of the people who will be required to move into your system, the current framework of support is inadequate?

Mrs Sinclair—It could certainly be better.

Senator WONG—As I understand the government's announcement, they are changing the definition of highly disadvantaged under the JSCI, the job seeker classification instrument. We have not got any indication as to how many people that will affect. When you have people with a disability and a lot of parents going through your services, do you think it is appropriate to actually make it more difficult to be classified as highly disadvantaged in those circumstances?

Mrs Sinclair—No, we do not. We think that the job seeker classification instrument should be used as an appropriate streaming tool, not as a supply measure. It should be used to basically stream people into the service that best supports their job search requirements.

Senator WONG—What effect will the proposed change have?

Mrs Sinclair—Changes have already been implemented with the job seeker classification instrument this year which have moved the level of points required before you can get into a higher level of assistance, and that is already having a significant impact. We are seeing a lot of disability support pensioners coming in at what we call the front end of the Job Network service, the job search support end. It is the same with parents who are currently voluntarily participating.

Senator WONG—I will put something on notice. If NESA was able to provide some of that data—I know the time frame is dreadful—I am sure the committee would be grateful to receive it.

Mrs Sinclair—We will undertake to see if we can do that.

CHAIR—I thank Mrs Sinclair and Ms Gill for their submission. Your presentation has been short but very useful.

Committee adjourned at 5.46 pm