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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

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SENATE
COMMUNITY AFFAIRS LEGISLATION COMMITTEE
Wednesday, 23 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, Bartlett, Evans, Fielding, Fifield, Humphries, McLucas, Moore, Polley and Siewert

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 9.04 am**POPPLER, Mr Jeff, Branch Manager, Child Care Policy and Planning, Department of Family and Community Services****WHITE, Ms Di, Project Manager, Welfare to Work Implementation, Department of Family and Community Services**

CHAIR (Senator Humphries)—Welcome. The Senate 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. I remind all witnesses today that the giving to the committee of evidence is protected by parliamentary privilege and that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. In the case of the public servants who appear today, you will not be asked 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.

We have before us the submission which has been presented to the committee and is numbered 25. Would you like to make some opening statements or comments about the submission before we proceed to ask you questions?

Mr Popple—I think that the submission is self-explanatory. I will just add that the Family and Community Services Legislation Amendment (Welfare to Work) Bill 2005 is part of the child-care measures announced by the government in the budget to assist the welfare to work customers. In addition to what is in the bill, extra outside-school-hour care places, extra family day care places and extra in-home care places have been announced. There will be increased funding on the JET program and also the initiation of the family day care start-up fund as well. The amendments in this bill help to target assistance to working parents while continuing to provide an appropriate level of assistance to non-working parents. The rest is contained in the submission we have put forward.

Senator McLUCAS—Could the officers outline the changed access to child care benefit that are proposed?

Mr Popple—The bill amends the number of hours a family can receive CCB, depending upon whether they are working or non-working parents. It mainly changes the work-study training test, allowing parents who work more than 15 hours a week or 30 hours over two weeks full access to 50 hours of CCB. For parents who do not meet the test, they are eligible for 24 hours worth of child care benefit per week.

Senator McLUCAS—Can you explain the difference between working parents and non-working parents?

Mr Popple—Working parents are those who satisfy the work test of 15 hours a week. This included a range of work: paid work, self-employment, setting up a business, casual or on-call employment, training or study, looking for work, voluntary work to improve your work skills or a combination of any of the above for 15 hours per week or 30 hours over two weeks.

Senator McLUCAS—And non-working parents?

Mr Popple—Non-working parents are those who do not meet the criteria.

Senator McLUCAS—I understand that. But eligibility for CCB changes as well for non-working parents. Is that correct?

Mr Popple—Non-working parents are eligible for 24 hours per week.

Senator McLUCAS—Can you explain the rationale for that element for non-working parents?

Mr Popple—The government was keen to provide an appropriate level of assistance for parents who do not work, so that they can still access child care and receive some assistance from government as to the benefits they receive through child care—things like access to socialisation, programs which might assist early development and care. It will also provide them with access to child care so that they can do other things they might like to do.

Senator McLUCAS—So the access to child care benefit for non-working parents has increased as part of this measure?

Mr Popple—Yes.

Senator McLUCAS—In your submission, you say at paragraph 12:

This will assist parents in maintaining ongoing lower levels of workforce participation and help their transition to a greater level of participation once their children are older.

How will lifting the number of hours deliver that outcome?

Mr Popple—I am sorry: we seem to have different paragraphs. Our paragraph 12 does not say that.

Senator McLUCAS—This is the submission that I have as your submission. I think I am right. That is what it says at paragraph 12 in the second sentence.

Mr Popple—I cannot find it. Perhaps you can repeat it to me.

Senator McLUCAS—The sentence says:

This will assist parents in maintaining ongoing lower levels of workforce participation ...

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

Senator McLUCAS—The third sentence in that paragraph says:

They also recognise that child care requirements often exceed actual working hours.

Ms White—That is right. That is about some of the charging practices of the centres. They charge for the full session for the day, and the parent might only use four or five hours of that session. It allows for the full payment for that session for two days in any given week.

Senator McLUCAS—You went through what the test for non-working parents is. How is the easing of the test for classifying someone as a non-working parent consistent with the tightening of the test for working parents?

Mr Popple—There has been no loosening of the test for non-working parents.

Senator McLUCAS—There is no test. You are not working.

Mr Popple—There is no test, yes.

Senator MOORE—That we know of.

Senator McLUCAS—The test is that you are a parent.

Mr Popple—The test is that you are eligible to receive CCB under the rules for CCB.

Senator McLUCAS—But the test for a working parent has been changed.

Mr Popple—Yes. There is now a requirement to work 15 hours per week.

Senator McLUCAS—You identified study.

Mr Popple—I identified for you the range of things that count towards being a working parent.

Senator McLUCAS—I want to go to the numbers of child-care places that are proposed to be allocated.

Mr Popple—The places do not form part of this bill, but as the government announced at the budget there are an additional 84,300 outside school hours places, an extra 2,500 family day care places and an extra 1,000 home care places over four years.

Senator McLUCAS—Can you break those down into each of the four years?

Mr Popple—No. They have not been broken down into the forward years. The government released 15,000 outside school hour places in November this year, but there has been no breakdown provided for the forward years yet.

Senator McLUCAS—You must be able to budget for what is happening in the future.

Mr Popple—I have not got it in front of me, but obviously the budget papers included a forward estimate of the expenditure over the next four years.

Senator McLUCAS—And that must translate to the number of places that are being released in those years.

Mr Popple—It relates to CCB expenditure over the forward estimates.

Senator McLUCAS—How many outside school hours places were released in November?

Mr Popple—In November there were 15,000 released.

Senator McLUCAS—I need to understand when these places are going to come online. We have got to have an understanding of that.

Mr Popple—Sure. As I mentioned, 15,000 came online in November. There will be more places coming online in the next financial year, probably early in the financial year.

Senator McLUCAS—So that is still in this current year?

Mr Popple—No, sorry. That will be in 2006-07.

Senator McLUCAS—How many?

Mr Popple—The places for this current financial year have been released.

Senator McLUCAS—And they are just the outside school hours care places?

Mr Popple—Yes.

Senator McLUCAS—There are no family day care or long day care places?

Mr Popple—No. The welfare to work measures have not come into place yet.

Senator McLUCAS—I understand that.

Mr Popple—So the places which were released—along with, I think, an additional 1,000 unused places—were really just meeting the current projected demand. In 2006-07 we will be releasing more places to meet the demand associated with Welfare to Work.

Senator McLUCAS—So those 15,000 that have already been released, are they part of the 84,300?

Mr Popple—Yes, they are.

Senator McLUCAS—But they are going to meet current projected demand?

Mr Popple—And that of people who are moving from welfare to work in anticipation of the government's measures and trying to get into work ahead of them.

Senator McLUCAS—How many people are they?

Mr Popple—I do not have any projections. The 15,000 is the total demand at the moment.

Senator McLUCAS—So it is speculative, really, isn't it?

Mr Popple—Sorry?

Senator McLUCAS—It is speculative, that some of these places will be used by people who are pre-empting the government's proposals?

Mr Popple—Yes.

Senator McLUCAS—So we do not know?

Mr Popple—We have customers at the moment who have voluntarily moved from welfare to work, and they make up part of the 15,000.

Senator McLUCAS—But they are not the targeted group under this proposal?

Mr Popple—The target of 15,000 was to meet the whole range of projected demand in this financial year.

Senator McLUCAS—As I said, Mr Popple, I need to understand when these places are going to be released. You have a projection on growth in CCB expenditure. That must be able to translate to the number of places and when they are going to come online.

Mr Popple—I do not have any breakdown with me. The places were to build up over the forward years but I do not have the projections with me, I am sorry.

Senator McLUCAS—You are aware of the community's concern about the lack of access to child care and that these places are not sufficient? Many submissions have come to us suggesting that. It would have been very helpful to have had the sort of data that would answer that question.

Mr Popple—I think that the view is that, as mentioned, the 15,000 which have been released are anticipated to meet the projected demand, combined with the additional 1,400

unused places which were reallocated. That has met all the requests for outside school hours care places in the current round. We anticipate that the future allocation in 2006-07 will also meet the demand in that year. With the current allocation, there should not be any outstanding demand for places for outside school hours care.

Senator McLUCAS—What projected places are you expecting in the 2006-07 year?

Mr Popple—Probably around the same volume as what we have just released.

Senator McLUCAS—How will you make a decision about how many to release?

Mr Popple—We will do that in consultation with government around the projected demand.

Senator McLUCAS—Will you look at waiting lists? We are proposing to—

Mr Popple—When it comes to allocating the places, we are in the process of developing a model which will allocate places to where demand is anticipated. That model is based on a whole range of things including the availability of child-care places, where the parenting payment population is and a whole range of other items which will feed into the model. That will help us target the allocation of places, from 2006-07, to where we anticipate the demand will be.

Senator McLUCAS—Have you done any state by state breakdown of where those places will be allocated?

Mr Popple—We are in the process of developing the model. We have not done a projected allocation from it yet.

Senator McLUCAS—Long day care places take some time to construct and bring online—

Mr Popple—These are outside school hours care places. Welfare to Work is for parents when their youngest children turn six, and they will be seeking outside school hours care if they need any type of care.

Senator McLUCAS—There is an allocation of 1,000 long day care places but we have no indication in what year they are going to come online.

Ms White—An allocation of 1,000 long day care places?

Senator McLUCAS—I understand that from Mr Popple's earlier evidence.

Mr Popple—I said 1,000 in-home care places, Senator. There are 2½ thousand family day care places.

Senator McLUCAS—So the 1,000 is in-home care?

Mr Popple—Yes.

Senator McLUCAS—That does not give me a lot of comfort. We do not know when they are going to come online and, given the evidence we have had from a range of submissions about this figure being not enough to meet the demand that is predicted, we cannot see when those places are going to come online in future.

Mr Popple—As I said, they will come online from the beginning of the financial year. You have got to remember that there is a build-up of people coming in from the welfare to work process—and it is probably a matter more for DEWR to speak about than me. There will not be—

Ms White—There will not be mandatory requirements in the first year, so we will be looking at the trends over that first year that will help us with the allocation of places in out years as well.

Senator McLUCAS—Do you have any assessment of the current unmet demand for child care?

Mr Popple—No, Senator.

Senator McLUCAS—That is the problem; we do not know what—

Mr Popple—As I said, Senator, the current allocation which we just completed was based on verified demand from outside school hours care services, and that demand was met in full by the 15,000 and by the additional places which have been previously returned unallocated.

Senator McLUCAS—How do you ascertain ‘verified demand’?

Mr Popple—My understanding is that they sought submissions from child-care centres—from outside school hours care services.

Senator McLUCAS—Is that public information?

Mr Popple—The results of the allocation were set out by the minister the other day.

Ms White—I understand that the minister will be announcing the successful outside school hours care services in the next couple of days.

Senator McLUCAS—That is not the question I really asked, though. The question I am trying to understand is: what is the unmet demand in outside school hours care currently? Mr Popple said that there was a process of asking current providers what their unmet demand was and that was what he called a ‘verified demand’. Is there public information of what this unmet need is?

Mr Popple—Senator, I just told you that there is no unmet demand anymore. The allocation has met that demand.

Senator McLUCAS—So there is now no unmet demand at all now, Mr Popple? That is the department’s position.

Mr Popple—In terms of outside school hours care, this allocation met that demand.

Senator McLUCAS—Are the figures that you received back from current outside-school-hours care providers public information?

Mr Popple—No, Senator.

Senator McLUCAS—Could the committee be provided with it?

Mr Popple—I would have to check. I have not got it to hand.

Senator McLUCAS—But it was a process of writing to each provider and asking them what numbers of people were on the waiting list? I am just trying to understand the process.

Ms White—No, Senator. We undertook an advertising campaign, which appeared in rural and regional newspapers. It is up to the outside school hours care service to lodge an application with the Department of Family and Community Services. Obviously there are a number of steps that they need to follow in lodging an application. When the applications come in, they are assessed by our state and territory officers to determine the allocation of places post that.

Senator McLUCAS—So it was just a request for places really, applying for these 15,000 places.

Ms White—They are applying for them but there are a number of steps that they need to follow in that process—

Senator McLUCAS—And they are?

Ms White—before the child-care places can be allocated.

Senator McLUCAS—What are those steps?

Ms White—I do not have them with me, Senator.

Senator McLUCAS—Just give me an indication.

Ms White—I think they need to be able to prove to the department that they can get these places up and running within a short period of time. They will not just be allocated places if they do not have either the demand or the capacity to get these new places up and running. They may or may not have children on the waiting list so that is part of the process that is followed by the state and territory officers.

Senator McLUCAS—How do you assess whether or not the demand actually exists in that area?

Ms White—It is dependent on what is provided in the submission to the department by the child-care service. Obviously, before allocating those places we go to the planning advisory committees as well and seek their advice around demand in particular areas.

Senator McLUCAS—Do you advertise in rural and regional newspapers?

Ms White—I would need to double-check that but I understand that we advertised nationally for outside-school-hours care services to submit submissions to the department.

Senator McLUCAS—Are you implying that these 15,000 places will essentially be allocated to rural and regional providers rather than metropolitan providers?

Ms White—Not at all. I think we undertook an advertising campaign nationally which would have included all of the city newspapers as well.

Senator MOORE—Can we have the details of that? Can we see the advertising file, so we know exactly where and when it went and the format of the ad?

Ms White—Yes.

Senator SIEWERT—If it is done by centres applying for these places, how do we know we are putting the places where the demand is going to be? I am particularly concerned about regional areas. How do we know that they are meeting the demand in particular areas and, if

we do not know that, how do we know that services are going to be available in the places where they are going to be needed?

Mr Popple—I think we are talking about two separate things. The process we just went through was based on submission and the allocation process that we will go through in 2006-07 will be primarily based on an allocation model, which will allocate the places to where we anticipate the demand will be the highest. That would be around where the customer base is for Welfare to Work, with other factors as well. We will run the model and then in consultation with the planning advisory committees we will decide how those places are allocated within particular geographical regions.

Senator SIEWERT—What happens if in particular geographical regions there is no service available? If it is not just a question of increasing the places but out-of-school care services are not available, what will the department do then?

Mr Popple—The planning advisory committees already consider what services are available in particular regions. I guess they would be looking at that and if there is a lack of available services they would be considering that. The Commonwealth is not in a position of providing services. That is something that is provided by the community sector, by the private sector or by local government. So we would be trying to encourage them to meet what will obviously be a need in that area.

Senator SIEWERT—My understanding of the submission is that there is additional funding available for vacation care. Are you doing the same with vacation care as you are for after-school care? Are you looking at where the demand will be and focusing particularly on regional centres? I am particularly concerned about regional centres.

Ms White—Vacation care is included in outside-school-hours care, so it includes before-and after-school care and vacation care. So we will be using the same process for allocating places.

Senator SIEWERT—My personal experience with out-of-school care is that they do not all provide vacation care. My experience is you cannot assume that just because they are providing out-of-school care that vacation care will be provided.

Ms White—That is true. When they submit an application to the department they break down what types of outside-school-hours care they are going to provide, so we can look at that vacation care side of things at the same time that we are allocating the places for 2006-07.

Senator SIEWERT—That will be part of the process. If you are funding out-of-school care in regional centres, you will then automatically be ensuring that they are also providing vacation care? Do I understand that right?

Ms White—No, we cannot.

Senator SIEWERT—In other words, you are not confident that vacation care will be provided in regional centres. It sounds like the two are separate.

Ms White—We will certainly take the vacation care aspect into consideration when we allocate the places post 2006-07, and obviously services that lodge applications for vacation care in areas of high demand would be prioritised accordingly when we make those allocations.

Senator SIEWERT—What I am taking from that is that there is no confidence that demand for vacation care will be met.

Mr Popple—No, that is not true. We are confident that the model will meet all the demands, whether that be outside-school-hours care or vacation care. Obviously, you can never guarantee it place for place, but the intention is that the model will cover both forms of care. As you rightly pointed out, not all schools provide vacation care. There are often specialist vacation care providers, and they would be allocated places through this process if that was appropriate.

CHAIR—You mentioned before the provision of the child-care benefit to parents who are not in the work force. I assume that the provision of support for those parents is based on the reality that these parents are working but not in paid employment—that the work that they do in a family is an onerous obligation and that some support from the community for that is warranted. Is that fair?

Mr Popple—That is correct. There is also recognition in terms of the benefits.

Senator McLUCAS—In the same way that a working parent is also doing that job as well.

CHAIR—Working parents get access to those benefits as well, Senator. This is the point.

Mr Popple—There is also recognition of the benefits that children receive from being in child care. A number of studies have demonstrated that exposure to child care is beneficial for young children.

CHAIR—Yes. Do we have an estimate of the average cost of a session of child care in Australia at the moment?

Mr Popple—Not per session, because it varies between different types. I could provide it per type of child-care fees per week.

Senator MOORE—What about the interstate variations?

Mr Popple—This is the sort of material that has been provided to the committee previously in the Senate estimates process. I do not think that we have anything that would be a change from that which has been provided.

Senator MOORE—That would be the way it would be provided. It would be different kinds of child care and across the different states, taking into consideration the kind of modelling that you do?

Mr Popple—I would have to see what has already been provided to the committee in Senate estimates. We would not have anything which would be any different to that.

CHAIR—I am told that the average cost of after-school care, let us say three hours, is about \$10 per session around Australia at the moment.

Mr Popple—Yes.

CHAIR—If you are entitled as a low-income family to a child-care benefit, you would be receiving in the order of about \$7 towards that session. Is that about right?

Mr Popple—Yes.

CHAIR—So there is a net cost to the family of about \$3 per session of three hours.

Mr Popple—And, if we are talking about Welfare to Work customers, they would also be entitled to the JET program, which might provide additional assistance to meet all that cost.

Senator MOORE—That is the JET child-care component?

Mr Popple—Yes.

Senator FIELDING—Can you give me a bit of an idea of how much input you have had to the family impact statement?

Mr Popple—If I understand your question correctly, there would have been a family impact statement prepared with this as part of the original budget measures. The family impact statements are prepared as part of the cabinet submission. There would have been one associated with that, but nothing subsequent to that.

Senator FIELDING—Did your area have any input to it at all?

Mr Popple—That is a matter of providing advice to cabinet, Senator. It is not something I can comment on.

Senator FIELDING—Just to clarify that, in other words, you are not able to answer that particular question because it is to do with cabinet. Is that right?

Mr Popple—That is correct. As has been discussed in other forums, the submissions around the Welfare to Work measures were not put forward by FaCS; they were put forward by a task force to cabinet. What form that advice took is not something that I can comment on.

Senator FIELDING—As far as level of input goes, can't you say one way or another what input you have had to it?

Mr Popple—The cabinet process is not something that public servants can comment on.

Senator POLLEY—In relation to your assessment about need in rural and regional Australia, what is the bottom line for the figures that you would look at for a community to be able to access out-of-hours child care?

Mr Popple—I am not quite certain I understand the question, Senator.

Senator POLLEY—The government policy is to ensure that people on welfare move back into the work force. To enable them to do that, they need access to child care. When you say that you are having a model to assess the need in rural, regional and metropolitan Australia, what is the bottom line figure? How many children are going to have to need care for you to be able to ensure that those facilities are available for these people?

Ms White—The model is not going to determine where a service should be set up. The model will determine where we will allocate child-care places where services currently exist.

Senator POLLEY—What about where there are no services and you still have people that are going to need access to child care? If you live 40 kilometres out of Launceston in northern Tasmania and there are 50 families there that need access to out-of-school child care, what assistance will there be and what assessment is going to be made to meet their needs?

Mr Popple—I guess there are two things there. Firstly, if there is an existing need, that need is probably being met by the local school or by some other form of child care. I think

you are also saying that these people who are moving from welfare to work will not be able to access child care and therefore will probably not be able to take care of their children properly. One of the requirements under the DEWR guidelines is that, if there is no appropriate child care, the person does not need to take up the position.

Senator POLLEY—But there is still a requirement for out-of-school care and they still need to have access to that. If you are only going to focus on where there are already services, there is still going to be a huge unmet demand.

Mr Popple—There is a constant change in service availability each year. Usually at the beginning of each calendar year schools make decisions about whether they are going to provide outside-school-hours care, so we are anticipating that with extra places there would be extra services coming online as well. As I mentioned to the other senators, the Commonwealth does not direct the opening of outside-school-hours care services.

Senator POLLEY—So there is no actual criteria that you can elaborate on for people in rural areas to ensure that they have access to the services?

CHAIR—Are you asking about the general provision of child care in rural areas or the provision of child care in respect of Welfare to Work?

Senator POLLEY—In respect of Welfare to Work.

CHAIR—He has already explained that, if there is no child care in a rural area, the person will not be required to undertake work requirements. I think he has answered that question, hasn't he?

Senator POLLEY—Perhaps not satisfactorily but he has answered it.

CHAIR—I think that is all we have for the department. Thank you very much for your time this morning.

[9.41 am]

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

CHAIR—I once again welcome representatives of the Department of Employment and Workplace Relations. I do not think I need to repeat the usual reminders about the operation of parliamentary privilege. We have received some supplementary information from you in answer to some questions that were taken on notice in the session on Monday. We thank you very much for that. I assume there is no other statement that you wish to make at this stage before we proceed to ask you questions.

Mr Carters—No, Senator.

CHAIR—I will kick off by asking you to outline the compliance regime as you see it. In simple terms, what safeguards exist in the compliance regime to prevent vulnerable people—I am thinking of people subject to domestic violence and people with mental illness and other issues like that—from being inappropriately breached under the compliance arrangements?

Mr Carters—Basically, to demonstrate the way in which the compliance regime and the sorts of safeguards that are included in it will work I will use, in the first instance, the example of a job seeker who is referred to an interview with, say, a Job Network member. The Job Network member will see whether that person attends the interview; if they do not, they will make a couple of attempts to try to contact that individual. The Job Network member can choose to not put in a participation report if they are unable to contact that person. For example, if the person did not attend the interview but explained to the Job Network member why, even if it was not what you would normally call a reasonable excuse, if the Job Network member or other employment service provider feel that they are progressing with that individual—that they have a good chance of moving them into employment—then they can choose not to submit a participation report. So that is the first safeguard.

The second safeguard is that people who are deemed to be vulnerable—and obviously that is still to be defined—will be flagged on the system as well. Centrelink will make the final call on that, but obviously employment service providers can make suggestions to Centrelink about who should be deemed to be vulnerable. That aims to cover people, for example, with episodic mental health conditions who may not be responsible for not attending interviews and so on. Again, in those sorts of scenarios, there is a safeguard there for those people to ensure that they do not end up with an eight-week non-payment period, for example.

Having progressed through those two elements, and if a report does go to Centrelink, Centrelink also make a number of contacts—a minimum of two contacts—to establish the reasonableness of the nonattendance. Again, issues about vulnerability that may not have surfaced in the past may surface at that stage. If Centrelink determine that the person did not

have a reasonable excuse or if they have not been able to contact that person then they use the next SU19 interview, which is the fortnightly income statement which individuals need to lodge to trigger their fortnightly payments, to talk through the issues with the job seeker and again determine reasonableness and so on. At the end of that, if it is still appropriate to refer the job seeker back to, say, the Job Network member, they will make a rapid referral back to the Job Network member and make it very clear to the job seeker that, 'Yes, you will get this fortnightly payment but you may not get any more unless you attend an interview.'

Basically, three failures can occur before the threat of an eight-week non-payment period will come up. After the second failure, Centrelink will have what is now called a third breach alert—we have changed the name but it is the same sort of concept. Again, a Centrelink specialist officer will talk to an individual before imposing that third participation failure and will again attempt to identify whether there are particular vulnerable circumstances related to that individual. If there are not, and the third participation failure does occur, there is an eight-week non-payment period and that lasts for a full eight weeks. There is no way to get out of it at that stage. However, what has certainly been overlooked at these hearings so far is the fact that there is a case management system in place, particularly for parents who have dependent children but also for other vulnerable people. So even though someone is on a non-payment period, Centrelink will have authority to pay essential expenses for that family: expenses to do with electricity, rent, basic food needs et cetera. Those basic expenses will be paid during that period and will be met up to the cost of their equivalent income support. So there are significant safeguards in the system.

CHAIR—It was suggested to us yesterday that, for example, women experiencing domestic violence may, for whatever reason, not want to disclose the fact that they are experiencing that violence and that they should not be required to disclose it in order to obtain some exemption from the requirement to comply. Do you have a comment on that?

Dr Morehead—If it remains undisclosed, it is very difficult for an officer to be able to say, 'I understand that you are experiencing domestic violence.' It is very difficult.

CHAIR—It was suggested that if a person appeared with obvious injuries and their relationship had ended, it would be best if the officer were to assume that the person had been subjected to domestic violence.

Dr Morehead—I do not think that is the case at all. They could have had an accident. I do not think you could assume that at all. I think that would be an unfair judgment on the person.

CHAIR—Indeed. Could I ask, for clarification, about the number of people that will be eligible, coming off parenting payment, to access Newstart? We did have some discussion about these figures on Monday. Could you tell us the number of people who would be assessed in your estimates or projections as being able to work for 15 hours or more per week over the next three years?

Mr Carters—The estimate—and it is consistent with what we gave you on Monday—is that there will be about 70,000 single parents who will have moved on to the Newstart payment by the third year, 2008-09. There will be about 34,000 on the parenting payment partnered. It is important to note that the parenting payment partnered rate is the same as the Newstart rate, essentially. The parenting payment single and Newstart figure includes

allowing people to stay on the parenting payment single up until the youngest child turns eight. The number of people with disabilities in the partial work capacity group is consistent with what we gave you on Monday—that is, 75,700 by 2008-09.

CHAIR—So we are talking about 140,000 to 150,000 who will be moving from parenting payment single and DSP to Newstart over the three-year period. Is that roughly right?

Mr Carters—Yes; it is just over 150,000.

CHAIR—It would be wrong, I assume, to assert that all 150,000 people will be worse off in the amount of income they receive on the basis that that figure does not take into account those of the 150,000 who succeed in obtaining employment.

Mr Carters—For a start, none of them are actually worse off, because they are not currently on a higher rate of payment. These are people who are new entrants.

CHAIR—I take that point. Let us say worse off vis-a-vis where they would have been but for these reforms. That figure of 150,000 does not take into account those who, as a result of the reforms of the programs that are being run to find employment and so on, will actually move off that cohort into employment of some sort.

Mr Carters—The figure is the number that will be likely to be on payment in 2008-09. The important point to note there is that many of those will be on a partial payment because they will also be working part time and meeting that 15-hour requirement. So, in fact, they will be getting their income from work. This, in a sense, will be a top-up to that work. Those people will absolutely be better off than if they were sitting on the disability support pension or parenting payment single without work.

Senator MOORE—The expectation, Mr Carters, is that these are new claimants or people who are moving within the system. We are talking about welfare to work, but these figures represent people who will be coming on to the payment into the future.

Mr Carters—That is correct.

Senator MOORE—We keep talking about welfare to work as though they are going from welfare on to a magic new payment, but these figures are based on people who will be claiming and being assessed into the future.

Mr Carters—That is correct—starting from 1 July 2006.

Senator FIELDING—I want to clarify something. When you say that 70,000 single parents will shift to the Newstart arrangements by the third year, are they existing parenting payment singles?

Mr Carters—No, they are not. The existing parenting payment singles are grandfathered. In other words, they will stay on payment until their youngest child turns 16, even if that is many years into the future.

CHAIR—I want to ask now about how many jobs there are out there, particularly in regional Australia. The claim has been made, for example by groups like St Vincent de Paul yesterday, that the job market is already very overcrowded and that there are no jobs, at least in certain places in Australia. What information do you have about the strength of the labour

market around Australia and the real prospects people have of moving from welfare dependency to work outside major cities?

Mr Carters—The labour market in non-metropolitan Australia is actually very strong. In fact, in the last 12 months to October 2005, employment growth in non-metropolitan areas was up by 3.7 per cent, compared to 2.8 per cent in metropolitan areas, so it is actually improving at a higher rate. Some 62 per cent of non-metropolitan statistical local areas, which is an ABS area, had falls in the unemployment rate over the year to June 2005. The overall unemployment rate in non-metropolitan Australia is 5.6 per cent and in metropolitan Australia it is 4.6 per cent, so in the whole of non-metropolitan Australia we only have a 5.6 per cent unemployment rate. There is not one single region in Australia which had a double digit unemployment rate in October 2005. Long-term unemployment fell by 18,300, or 30 per cent, in regional labour markets, and that was a much better outcome than in metropolitan areas, where it fell by 9,900, or 17 per cent.

There is a little bit more analysis that we have done to counter the claim by some previous presenters that there are not enough jobs available. The claims are made on the basis of a very static model which says there are this many job vacancies in Australia on a particular day and there are this many people unemployed, plus bringing in all the marginally attached et cetera. What that does not take into account, besides the fact that that measure of job vacancies is limited, is the fact that there is a massive amount of employment turnover every year in Australia. In other words, people are constantly moving from job to job. When they do that, it leaves the job that they have moved from vacant in many instances. The ABS conducts research on this every two years, so the latest figures we have are from February 2004. Basically, they show that, in the 12 months prior to February 2004, there were about two million people who had commenced a new job in that year—very significant numbers in terms of a turnover effect.

We also looked at 20 labour market regions on the basis of a high unemployment rate. We looked at our Job Network figures for the job placement vacancy data, just to look at how many job vacancies are actually getting filled as an indicator of whether there are still jobs available in those areas. There was quite a fascinating outcome. For example, we looked at the lower skilled end of the job market. For labourers and related workers in that 12 months to September 2005 in these 20 areas, there were about 210,000 vacancies and 48 per cent remained unfilled after 28 days. On the clerical side—for example, elementary clerical, sales and service workers at the lowest level—there were about 38,000 vacancies and, again, 40 per cent remained unfilled after 28 days.

CHAIR—When you say ‘clerical’, those jobs are presumably relatively low skilled?

Mr Carters—This is elementary clerical. This is the lowest skilled clerical level. If you go up to intermediate clerical, sales and services—that is retail et cetera as well, and general services—there were 55,000 vacancies and 56 per cent remained unfilled. In total, in those groups that are low- to medium-skilled groups, there were 417,000 vacancies. Of those, 192,000 were filled within 28 days and 54 per cent remained unfilled after 28 days. So that is a good indicator, again, that there are a lot of jobs available.

The other important factor to take into account is that the ageing population is making it more and more important that more people participate in the labour force, just to sustain the levels of employment which are required to maintain economic growth in Australia. The Productivity Commission, in their *Economic implications of an ageing Australia* report, said that the ageing population will have a negative impact on economic growth by 2010. That is not very far away, so the key message there is that we do need to increase participation in the work force to maintain, let alone increase, our per capita income.

The last point I will make is about the ACOSS analysis. Of the 50 electorates with the greatest number of people at risk of losing because of the Welfare to Work changes, 26 of those are in regional areas. Of the top five electorates identified by ACOSS as likely to be most affected by the Welfare to Work changes, three actually recorded a lower unemployment rate than the national average, so that suggests that there are significant chances of employment for those groups. Also, a couple of non-metropolitan regions, which were identified by ACOSS, are also showing very robust employment outcomes. Two examples are lower western WA, which increased employment by 18,600 or 14.6 per cent in the last year, and Wide Bay Burnett, which is traditionally a high unemployment area in Queensland, where there was a significant increase of 10,600 or 10 per cent in employment. Across the 26 regional electorates that ACOSS listed as part of that 50, the average unemployment rate was 5.9 per cent in June 2005. At the time, the national average was 5.3 per cent, so they were just 0.6 percentage points above the national average. All that indicates that there is significant potential to employ people with disabilities and parents across Australia.

CHAIR—Those figures for job vacancies in regional areas were from the snapshot released in February last year when the unemployment rate was higher in regional Australia anyway. So, if it has fallen since then, presumably the position is no worse and probably better than it was then.

Mr Carters—That is true, yes.

Senator MOORE—Could you provide those figures.

Mr Carters—Yes, I am happy to provide that.

Senator MOORE—It is just that it is difficult to compute when figures are thrown at you like that.

CHAIR—It would be useful if we could have that information in tabular form.

Senator MOORE—I am sure I will have questions on the figures which I will not get to ask today. They were not mentioned in your submission, were they?

Mr Carters—Not these figures, no.

Senator CHRIS EVANS—The purpose of a supplementary submission is to give you a chance to put that on the record.

CHAIR—If these figures are provided more or less straightaway, if that is possible, we have another session with the department this afternoon—

Senator MOORE—We look forward to it. They are quite significant figures and I would like to have a look at them. If we could get them, it would be useful.

Mr Carters—We will organise that.

Senator McLUCAS—How did you select the 20 areas?

Mr Carters—Basically they were areas of high unemployment levels.

Senator McLUCAS—From the highest unemployment?

Mr Carters—The regions with the highest unemployment.

Senator McLUCAS—Was it the last 20?

Mr Carters—Twenty, yes.

Senator McLUCAS—In order?

Mr Carters—I am not sure whether it was exactly the last 20.

Senator McLUCAS—Maybe you can tell us that this afternoon.

Mr Carters—It was of that ilk.

Senator McLUCAS—You can tell us that this afternoon.

Senator ADAMS—The Australian Foster Care Association claimed that they had not received access to the ancillary benefits such as pensioner concession cards and pharmaceutical benefits cards and that they should have access to that when they were on the PPS—is this correct?

Dr Morehead—They keep access to whatever they are entitled to if they were not a foster carer. If you are on the Newstart allowance—for example, if you are a single parent—you get to keep the pensioner concession card, telephone allowance and pharmaceutical allowance. The situation will not change for foster carers.

Senator ADAMS—What is the situation for someone who is a foster carer for, say, two weeks out of every six when there is an emergency situation and foster care is needed, so they do two weeks and then they might go six weeks before they are needed again?

Dr Morehead—Yes, that is an important type of foster carer—those foster carers who are needed for respite and emergency care, and they certainly will be considered to be active foster carers and will get the automatic exemption.

Senator ADAMS—Yesterday several organisations appeared before us who were upset about the consultation process. I am just wondering if the department could explain the consultation process that is undertaken on the welfare to work measures.

Mr Sandison—Yes. There have been a range of different approaches used for consultations. As a starting point I can give you a bit of an idea of some of the key organisations that we have consulted with. As a starting point on the disability side, we had a range of consultations around the country early in the year. We had ministers attend a number of those sessions. We asked for advice from the Federation of Disability Organisations about who might attend those, because we wanted to have a roundtable rather than just an open forum with 100 people. We set those up in each of the capital cities and I think we had a phone hook-up with Darwin and Alice Springs. At each of those we had 18 to 25 people. We also included the state and territory disability advisory councils in those groups to make sure we were getting representation beyond the national peaks, if you like, to make sure it was an

on-the-ground process. We have also had an employer roundtable for people with disabilities, to take into account the business sector. The minister has a disability advisory group that meets every two to three months.

Senator MOORE—That is the pre-existing disability advisory group, is it?

Mr Sandison—That is right, yes. In the parenting area, we have had a range of sessions with some of the people that presented to you yesterday, particularly the Sole Parents Union and the National Council of Single Mothers and their Children. They have also joined in meetings with ACOSS and the Welfare Rights Network. As late as last week we spent four hours or so going through very similar questions and issues. That was aimed at trying to make sure there was an opportunity to explain and understand some of the issues that might arise. In particular on the disability front, we also had, to my recollection, three previous meetings with ACOSS, the Welfare Rights Network and various other disability organisations talking through issues. The church groups have had discussions, particularly on the compliance regime, with ministers and officers of the department. The minister has the peak Welfare Reform Consultative Forum that has representation from a different group of organisations. Our employment service providers are one of our critical areas in terms of understanding the on-the-ground impact for supporting people into employment. We have met with ACE and ACROD, two of the peaks for the disability side. You heard from NESAs yesterday; we have regular meetings with them. They also have a disability specialist interest group where particular providers engage with us. We attend Centrelink meetings. They have a participation forum which DEWR officers attend, when required, to talk through some of the issues on various matters. So we have had and keep having a broad spread of different consultations.

CHAIR—One specific organisation, the Australian Federation of Disability Organisations, yesterday told us that they had been funded for a position through DEWR.

Mr Sandison—Yes, that is right.

CHAIR—We understood it was to assist them with issues relating to the welfare to work package, but it only started about two weeks ago. What is the point of funding them for a position that comes quite late in the process?

Mr Sandison—I think its primary goal is also looking ahead through the next six months. There is also ongoing work, as was discussed on Monday, about guidelines and flow-on issues once the legislation is passed. Prior to ADFP getting that staff member, we assisted them with costs to make sure they had the capacity to be involved in as much of the consultation as possible. One example was a meeting held in Canberra which the minister attended where we brought a range of people together. So we have had prior involvement but then saw there would be an ongoing need if they perhaps had a lesser capacity to engage in the disability side of things, and that was a critical issue.

Senator CHRIS EVANS—Can I just take you to your submission on page 4, where you list the number of people who have been on income support. You provide the breakdown for the disability support pension of 708,410 and for parenting payment of 612,866. The other area you are targeting in these reforms is mature age Newstart. Do you have a breakdown of the figures for that?

Mr Sandison—I would have to get a breakdown of the mature age component within Newstart, because they are a set, within the Newstart group, of the mature age people going onto or already on the Newstart payment.

Senator CHRIS EVANS—I know that, but they are one of the targets of your welfare reform package, and they are not identified in the table.

Mr Sandison—They are not listed separately to the Newstart group, but I can take that on notice.

Senator CHRIS EVANS—Perhaps you could take that on notice. Can you tell me roughly how many, though? Are we talking about 100,000 or 200,000?

Mr Sandison—I would not hazard a guess; I would rather give you the specifics.

Senator CHRIS EVANS—So you are not actually sure.

Senator MOORE—Can we have that by this afternoon?

Mr Sandison—Yes.

Senator CHRIS EVANS—Of those 708,000 on the disability support pension, how many are grandfathered?

Mr Carters—Every current DSP recipient is grandfathered.

Senator CHRIS EVANS—So none of those 708,000 will be required to do any work activity or participation requirement at all?

Mr Carters—Anybody that was granted payment before the budget will not have to undertake any obligations whatsoever in terms of work. Those who have been granted payment post budget will not have to undertake any obligations unless under some future review they become ineligible for the payment.

Senator CHRIS EVANS—Do you have an estimated number of that second category?

Mr Carters—That are granted between the budget and 30 June 2006?

Senator CHRIS EVANS—Yes.

Mr Carters—No, but basically, in any one year, there are usually just over 70,000 people who are put onto the disability support pension. So it would basically be part of a normal yearly cycle.

Senator CHRIS EVANS—So your rough estimate is 70,000?

Mr Carters—Yes, something to that effect.

Senator CHRIS EVANS—If you have any better figures than that, I would appreciate you taking that on notice. So, 778,000 approximately are grandfathered and there are no activity-testing requirements or participation requirements as part of these measures?

Mr Carters—That is correct.

Senator CHRIS EVANS—In terms of the 612,000 currently on the parenting payment, how many of those are grandfathered?

Mr Carters—Again, everybody who is on the payment is grandfathered. However—

Senator CHRIS EVANS—They are all grandfathered now? This was the change, was it?

Mr Carters—They are all grandfathered in terms of their level of income support payment. However, there will be activity requirements placed on parents.

Senator CHRIS EVANS—But they all stay on PPS or PPP?

Mr Carters—Yes.

Senator CHRIS EVANS—They do? That was the change announced a few weeks ago?

Mr Carters—No, that was since the budget.

Senator CHRIS EVANS—That was the first change, was it?

Mr Carters—There was not a change.

Senator CHRIS EVANS—That has been the case since the budget?

Mr Carters—Yes.

Senator CHRIS EVANS—So all of those are grandfathered as well?

Mr Carters—In terms of the payment, they are, yes.

Senator CHRIS EVANS—So the whole 612,866 are grandfathered?

Mr Carters—That is correct.

Senator CHRIS EVANS—And, of the mature age Newstart, do grandfathering provisions affect them as well?

Mr Carters—They have basically always been eligible for Newstart and will continue to be, so it is not really an issue.

Senator CHRIS EVANS—So there are no grandfathering provisions in effect, effectively?

Mr Carters—No.

Senator CHRIS EVANS—But, of the 13,000 who identified as the target group currently, all of those are effectively unaffected by the welfare changes?

Mr Carters—Sorry, which—

Senator CHRIS EVANS—Sorry. Of the 1.3 million who are currently on disability support pension or currently on parenting payment, the actual subset of people at whom this is targeted, who are currently on those payments, are totally unaffected by the changes?

Mr Carters—In terms of their payments, yes. There will be activity requirements placed on a number of the parents.

Senator CHRIS EVANS—So effectively the changes to income support are purely for the prospective group?

Mr Carters—That is correct.

Senator CHRIS EVANS—What additional services are being provided to those currently on disability support pension to assist them back into work?

Mr Sandison—Those people have access to Disability Open Employment Services, which are the specialist disability services that provide support to them now. They are located in about 230 locations around the country.

Senator CHRIS EVANS—I understand how they work. But is there any change in the budget or in this package for them?

Mr Sandison—Basically the primary focus is on uncapped new places which will be for the new people that will move onto Newstart. That will create more capacity within the existing places. So there is no reduction in places, and, by moving people with a requirement into uncapped places, we will have a growth in capacity. It is the same with vocational rehabilitation.

Senator CHRIS EVANS—But the simple answer is that there are no initiatives to pick up the current 7,000 or 8,000 people.

Mr Sandison—No, I do not think that is the simple answer.

Senator CHRIS EVANS—I am after an answer to that question, not to another question. What initiatives provide assistance for the 7,000 or 8,000 people currently on DSP? What new initiatives are contained in this budget to help them move from welfare to work?

Mr Sandison—Creating uncapped places—

Senator CHRIS EVANS—By the creation of uncapped places.

Mr Sandison—for the people that will have a participation requirement on Newstart will create capacity.

Senator CHRIS EVANS—But there is no new capacity. You are saying as a flow-on effect capacity will be created.

Mr Carters—It frees up capacity which can be backfilled by existing DSP recipients.

Senator CHRIS EVANS—Theoretically, yes. But there are no new places.

Mr Carters—There is also uncapped access to Job Network services, as there always has been, for disability support pensioners.

Senator CHRIS EVANS—I know what currently exists. The question is: what is new for them? This is a welfare to work package. The 7,000 or 8,000 people were the problem identified by the Treasurer and the government that this package was to address. Now they have been grandfathered, allegedly, forever. I am trying to ask what we are doing to help them get off welfare and into work.

Mr Carters—In the past there has been a very low take-up rate of assistance which has been available to people with disabilities on DSP. The promotion of the opportunities for this group will be quite intense, and we certainly expect a significantly higher take-up of services than has occurred in the past for that group.

Senator CHRIS EVANS—For the existing cohort?

Mr Carters—For existing cohorts, on a voluntary basis.

Senator CHRIS EVANS—What is that expectation based on? If you do not have any initiatives, why should it be any different to the previous experience?

Mr Carters—We conducted a DSP pilot in Job Network, which you may be familiar with.

Senator CHRIS EVANS—Yes.

Mr Carters—That was, firstly, quite successful in getting more people on DSP to come through the door of the Job Network services and, secondly, very successful in achieving employment outcomes for those people.

Senator CHRIS EVANS—That was a voluntary program, wasn't it?

Mr Carters—It was a voluntary program.

Senator CHRIS EVANS—Did you cut their payments as part of that program?

Mr Carters—They remained on the disability support pension.

Senator CHRIS EVANS—So there was no change in payments—

Mr Carters—There would have been reductions in payments while they were—

Senator CHRIS EVANS—but you found that as a voluntary system it worked quite well.

Mr Carters—There would have been reductions in income support while they earned earnings from real jobs, which would have overall boosted their total income.

Mr Sandison—One legislative change was made because disability organisations identified an area that they saw as a barrier, which was the fear of trying to move into employment when you are on DSP.

Senator CHRIS EVANS—Yes, I see you have addressed that.

Mr Sandison—That was the change to the two-year period. One of the other barriers raised with us frequently was related to adjustments in the workplace. So, rather than a direct service, the expenditure on the Workplace Modifications Scheme, which the year before last was less than \$1 million, will be up to \$10 million to \$12 million within the next two years. We do believe the capacity increase has a service provision element, but workplace adjustments or modifications tied in with the barrier related to the risk of losing DSP if you tried a job were two of the key areas, and those have been responded to.

Senator CHRIS EVANS—What are your expectations for those 7,000 or 8,000 people on DSP who are grandfathered and will come off DSP over the next three-year period?

Mr Carters—We do not have figures on that.

Senator CHRIS EVANS—So you have not done any work on what the impact will be on those grandfathered 7,000 or 8,000 people on DSP.

Mr Carters—Basically the general intention for people on DSP is initially that they will undertake work to their capacity, which will tend to be part-time work, so the propensity for them to come off income support will be far less likely.

Senator CHRIS EVANS—That is true for your new regime as well as the existing regime, I suppose.

Mr Carters—It is, yes.

Senator CHRIS EVANS—But you do not have any estimates as to the impact on those people currently on DSP. I want to ask you about the parenting payment single. Should I take

it from your submission that the highest number of people who report income from work is in that group of people on income support?

Mr Carters—Yes.

Senator CHRIS EVANS—I think you have a total of 42 per cent actually declaring earnings under the current system, as referred to in your table?

Mr Carters—That is correct, yes.

Senator CHRIS EVANS—And for parenting payment partnered, it is 22 per cent?

Mr Carters—Yes.

Senator CHRIS EVANS—You also provide figures that seem to indicate that you have had great success under the current voluntary scheme of encouraging and placing sole parents into work. You said:

23,300 placements for sole parents, a 112 per cent increase on 2003-04 ...

Yet I saw something the other day which indicated that you had released a report saying that you had not been successful. I am a bit confused as to what the department's message is about its programs currently in existence for creating and moving single parents into work.

Mr Carters—I assume the report that you are referring to is the *Australians Working Together* report, which was released quite recently. That report focuses on the specific measures under Australians Working Together and what their relative success or otherwise has been. In general terms, that focuses on the parents who go through the personal adviser regime in Centrelink and then the other services, assistance or where they flow onto. That is a substantial process that has been occurring for a couple of years which would have contributed to that number—that significant increase in servicing by Job Network. But other factors besides that have contributed to that figure as well. That is the message. That is, getting out there and really assisting people and making them very aware of the opportunities that employment services have and how successful employment services can be in getting outcomes for parents. Giving them the right sorts of directions to move into those services is what does make a difference, because unless they are in the service they cannot be assisted.

Senator CHRIS EVANS—Your evidence to previous estimates committees seems to be that the current program of helping single parents off welfare and into work on a voluntary basis has proven quite successful. Your submission seems to indicate that (1) they are willing to take up work and (2) you have been highly successful in placing them. Is that fair?

Mr Carters—That is fair, but it is coming off a low base. We still have not got the volume.

Senator CHRIS EVANS—I accept that, but there seemed to be a message the other day in something that Mr Dutton said, that somehow it had not been working. But your evidence to previous estimates committees has been that you have been quite successful in increasing the connection between those on the single parenting payment and the work force. The figures in your submission are highly encouraging. I think you said that the greatest success in job placements has been with those on parenting payment single. We know from your other figures that, in fact, their participation in the work force is double that for those on parenting payment partnered. Would it be fair to say that you think you are making quite good progress on that front?

Mr Carters—We certainly are making good progress but, as I mentioned before, there really is an issue about the volume, and we are just not getting enough people through on a voluntary basis.

Senator CHRIS EVANS—What is the economic rationale behind reducing their payments from a pension to a Newstart? How will that speed that process up?

Mr Carters—That was a government policy decision.

Senator CHRIS EVANS—So you are not able to provide us with any empirical evidence or economic argument to support that?

Mr Carters—We were requested to do that on Monday, and we are working through that. We have not been able to compile things in the time frame, but we are still attempting to get that for the committee.

Senator CHRIS EVANS—Is that not a fundamental aspect of this whole package? It is absent in your submission; it is the one thing that is missing. The major change in this whole thing is that you are moving people off pensions onto Newstart, which is a lower rate of return. I admit it is not the same set of people. These people are coming onto income support. The others have been grandfathered, allegedly; although I suspect pensioners might consider whether or not they are going to grandfathered for next 45 years or whether or not some time in the future a government might come back to that issue. But, putting that to one side, the central tenet of the package is that these people will be on a lower rate of income support than people who are in the same situation currently, and there is no justification or argument to support that in your submission at all.

Mr Carters—The labour market has changed substantially since some of these payments were introduced. Essentially, what the government is doing is changing the eligibility requirements for Newstart allowance so that you go onto Newstart allowance when your youngest child turns six or eight, depending on whether you are partnered, instead of when the youngest child turns 16—and that is on the basis that, once the children are settled into school, there are opportunities for part-time work, and there are substantial amounts of part-time and casual work available in the modern labour market.

Senator CHRIS EVANS—With respect, Mr Carters, what you still do not address in that response is what having them on the lower rate of income support achieves. What is the answer to the key question posed by the package?

Mr Carters—Basically, they are being treated as a job seeker like other job seekers and put on the level of income support of other job seekers.

Senator CHRIS EVANS—Yes, I accept that is what the outcome is, but what is the rationale?

Mr Carters—There are very many people on Newstart payments who successfully obtain employment every day. There is no reason to—

Senator CHRIS EVANS—That is true of people on the current pension, PPS, as well, according to your own figures.

Mr Carters—There is no reason to imagine that their being an eligible job seeker on the same payments as other job seekers will detract from their ability to obtain work.

Senator CHRIS EVANS—No, but there is no justification in your submission that says that lowering their payment is going to increase their capacity to obtain work either, is there?

Mr Carters—As I said, we are getting back to the committee on research in that respect.

Senator CHRIS EVANS—That would be very helpful if you want the Senate to pass the legislation next week—to provide some support for the key change in the package. Thanks, Chair.

Senator McLUCAS—I have a couple of questions to follow up from Monday and from other witnesses. The first question goes to the job seeker classification index. You provided a response to a question that we asked on Monday. I understand that the job seeker classification index plots people and gives them a number that is a measure of their disadvantage and that that has changed. Can you give me an explanation of how that has changed?

Mr Carters—The score is compiled based on all sorts of factors, which are determined through answers to questions and so on. An aggregate score is obtained and if people fall over that level then they are deemed to be highly disadvantaged and they go into intensive support customised assistance. If they fall under that score then they go into job search support rather than into intensive support customised assistance, on the basis that they are less likely to be at risk of becoming long-term unemployed. In other words, they are more likely to be able to find a job without more intense assistance but also more expensive assistance.

Senator McLUCAS—Is it the questions that have changed or is it the cut-off—when you get the intensive support customised assistance? What is the change?

Mr Carters—Essentially, for the Welfare to Work elements, we are currently reviewing the classification instrument and the questions being asked, because of the new groups which are coming on stream—people with disabilities and parents in particular—to see whether it caters appropriately for them. That will be reviewed in July 2006, to see whether or not changes are in fact needed to accurately reflect the level of disadvantage of people in those new groups.

Senator McLUCAS—Sorry, Mr Carters—

Mr Carters—So that is something that will happen in the future, but we are looking at it now.

Senator McLUCAS—I understand, though, that there is a group of those people who previously, on the old measure, would have received the intensive support but now will not.

Mr Carters—That is possible, but it is hard to quantify, because Job Network is a demand driven service and people that are highly disadvantaged will get the customised assistance and people that are not will not.

Senator McLUCAS—But it is a change to the definition of highly disadvantaged, because their score will be different to what the measure currently is.

Mr Carters—The actual score which determines whether someone is highly disadvantaged: yes, there has been a change to that.

Senator McLUCAS—And what is that?

Mr Carters—I do not actually know the number.

Senator McLUCAS—Is it 68 to 70?

Senator CHRIS EVANS—I think you have given that in evidence before.

Mr Carters—It is not 68 to 70. It is in the low 20s, but I am not sure of the number, I am sorry. We can come back to you this afternoon on that.

Senator McLUCAS—That would be good. I understand you currently model the frequency of the number of people who are assessed, so you can actually plot the number of people who are currently assessed as being highly disadvantaged. With the change in the score you will be able to identify the number of people who now will not be deemed highly disadvantaged. Can you come back this afternoon with that number?

Mr Carters—Yes, we will take that on notice.

Senator McLUCAS—You have a number of cameos in your submission. The National Welfare Rights Network also used cameos to describe different applications of this program. They talk about a young man by the name of Jamie who has cerebral palsy. He has his comprehensive work capacity assessment and is deemed not to be capable of working 15 hours a week, but deemed that if he had specialist disability vocational training he would be able to work 15 hours a week within two years. This is the training to get you into a work program. However, because the young man in this cameo lives in an area where there is no specialist training, he is caught in a position where he cannot get the training and therefore he cannot either get the work or, because he has not completed the training, go back onto the disability support pension. Can you respond to that scenario?

Mr Carters—That scenario almost exists now. It is the specialist disability training, as distinct from more general training, that is the difference—otherwise, that scenario exists under the current legislation. That is the first point.

Senator McLUCAS—But under the current legislation there is no risk that he will go onto the lower payment of Newstart.

Mr Carters—There is, except that it runs at a 30-hour rule rather than a 15-hour rule.

Mr Sandison—One of the issues is that under the current legislation specialist disability services are not taken into account. Under the proposed changes the specialist services and up to two years of assistance are part of the changes. It is not a matter of a person meeting the requirement of engaging with a training or specialist service. If after two years that person is then reassessed for their capacity, and their capacity is below 15 hours—so using that Jamie cameo—you would assume that if they have not engaged, unless there had been an upward change with their disability, they would not have been able to improve their hours, and then they would probably be moved to DSP. So they would not be penalised.

Senator McLUCAS—They would ‘probably be moved’?

Mr Sandison—If they are below 15 hours then they move to DSP. Their eligibility status is reviewed, in effect, at the end of that two-year period and if they have not got above the 15 hours then they would be seen to be a DSP person.

Senator McLUCAS—Is that in the legislation?

Mr Sandison—Yes. I think the issue that was raised by Welfare Rights was whether, if there was not a service there, they would stay on that Newstart forever. The comprehensive assessments are intended to be done every two years, or it might be longer if there is no need for one. So if it has been two years since that period there would be a reassessment and, if they have not made the 15 hours, DSP eligibility.

Mr Carters—That was a very purposeful change to the legislation, because under the current legislation they may come up for another two years and another two years and another two years. This rule says: at the end of two years, if you were not above 15 hours then, then you should be eligible for DSP. So that would be what would happen—they would go onto DSP after that two years.

Senator MOORE—What would be the review process after that? The way you describe it, the person is moved to the new payment and it is deemed that they could benefit from the training. The training is either not available or not successful. At the end of the two years they are reassessed. What happens after that? What is the review process from then on?

Mr Sandison—The assessment is basically done by the comprehensive assessor. The information is provided to Centrelink because the decision about income support is a Centrelink decision, not for the assessors. Basically, if they are eligible for that payment my understanding is—and I would have to check—that they do not actually have to apply. Under the act, if they are eligible for another payment then they can be put onto that payment.

Senator MOORE—Subject to future review?

Mr Sandison—Anybody who is on DSP is subject to cyclical reviews.

Senator MOORE—So it is not that there is no review from then on?

Mr Sandison—No, just like for the people who are currently on DPS, there is a range of different reviews and triggers—such as earnings and those sorts of things—that might trigger a review.

Senator McLUCAS—Mr Carters, I wonder if you could point me—just do this on notice if you would—to the part of the legislation that indicates that after two years, where Jamie has not been able to access the intensive support training, he will revert automatically to DSP? If you could provide that this afternoon, that would be fine.

Mr Sandison—Yes, Senator.

Senator McLUCAS—The third issue I want to talk about picks up on something Senator Humphries was talking about earlier. You said that essential expenses of a person who has been breached and is on an eight-week non-payment period will be paid. My first question is: who decides what is an essential expense?

Mr Carters—There will be guidelines which will work on that. We are working very closely with Centrelink on that.

Senator MOORE—I will not comment, Mr Carters, but consider that I have commented on that.

Senator McLUCAS—It is called a wry smile.

Senator CHRIS EVANS—Hansard will record a wry smile.

CHAIR—I am sure they will.

Mr Carters—Basically, the guidelines will set out specific types of expenses which should be funded. As usual with the guidelines, they will provide flexibility for Centrelink to cover unusual situations. So there will be flexibility and subjectivity to determine what is, for an individual family, an essential expense. The key ones are probably pretty clear to most people.

Senator McLUCAS—The Centrelink officer will make the determination?

Mr Carters—Yes.

Senator McLUCAS—You said earlier to Senator Humphries that the amount of money will be up to the total cost of their current payment. Will there be a requirement for that money to be refunded?

Mr Carters—No, there will not.

Senator McLUCAS—So Centrelink will essentially take over the management of the household for that period?

Mr Carters—No, Centrelink will fund essential expenses where they are needed. That is very different from managing a household.

Senator McLUCAS—Centrelink will make the decisions about the household budget—I will put it that way. Those funds will not be required to be repaid? It is not a loan against a future payment?

Mr Carters—It is not a loan at all. There will be no requirement to repay.

Senator McLUCAS—How will it occur? The person gets breached; what happens when they are on a non-payment period?

Mr Carters—You will recall that when I went through the process earlier I said that essentially the first thing that happens is that just before the non-payment period the person is called in for an interview with the Centrelink officer.

Senator McLUCAS—Yes.

Mr Carters—That is the first trigger. So if the decision is taken then, yes, the person is on eight weeks. They will then be called in for a series of interviews with Centrelink over that period of time. At each of those interviews they will determine what the needs of the family are and will make arrangements so that the expenses for that period are covered. It is likely to be a fortnightly interview, similar to the income support arrangements. It is very much for Centrelink to work through the detail of that. Obviously, we will work with them but Centrelink will be managing that process under the guidelines.

Senator MOORE—So that process will be in the guidelines?

Mr Carters—Yes, most of the process will be.

Senator MOORE—Following on from Senator McLucas, the process of determining these emergency or life payments—whatever the new title will be—will be done in consultation between the determining officer in Centrelink and the client? The process of how

that is done and what the relationship between the client and Centrelink will be for the eight weeks will all be in the guidelines, so it will be absolutely clear?

Mr Carters—It will be clear, yes.

Senator MOORE—Those guidelines will necessarily be published and available?

Mr Carters—I do not know whether everything will be published and available. I am not sure exactly how that works with Centrelink, but certainly whatever is necessary for people to understand the system will be available.

Senator FIELDING—What research has been done with regard to single parents being able to survive on \$25 per week less than what single parents get under the current arrangements?

Dr Morehead—There is a lot of research about how single parents manage money. It obviously shows that if they are in paid work they have a better chance of achieving some level of financial independence and control, and so the Welfare to Work reforms have taken that on board and made sure that single parents coming into the system will have a level of assistance via employment services to channel them into paid work. It is by getting paid work that women lift themselves out of financial dependence and poverty.

Senator FIELDING—I will ask the question again: what research has been done with regard to how well single parents can cope with getting \$25 less per week than current single parents receive?

Dr Morehead—There has been no social experiment done whereby we have taken a group of parents, given them \$25 less a week and evaluated that in the Australian context across all cities and towns. I am sorry, we have not done that.

Senator FIELDING—So you have not done any research to know whether the—

Dr Morehead—DEWR has not done a social experiment along those lines. There is research showing how single parents manage money, and the research clearly shows that getting paid work is the path out of poverty, not remaining on welfare.

Senator FIELDING—I do not disagree that encouraging people from welfare to work is a good idea; I agree with that. That is not the issue here. What information, what rationale, do you have to hand that says that single parents can cope with \$25 less than what current single parents receive?

Dr Morehead—All I can do is refer to what Mr Carters said earlier on the issue of research.

Senator FIELDING—I am sorry, what was that?

Mr Carters—In response to a question from Senator Evans I talked about compiling research, which we have not had time to do, for the committee to demonstrate what contribution lower rates of payment might make to people's propensity to find work. But your question about people being on a lower amount of pay, again, I would have to say, does not take into account the billions of dollars of extra assistance being provided to help ensure that these parents will get part-time employment and will in fact be better off rather than worse off.

Senator FIELDING—I understand that encouraging and helping people to move from welfare to work makes sense. The point is that I do not see the rationale or the research that points to why dropping what single parents will get by \$25 a week will help them to make ends meet. What is the rationale for doing that?

Mr Carters—Again, it is the logic that, in a modern labour market, people who have the capacity to work more than 15 hours a week have significant job opportunities. They are basically job seekers, or should be construed as job seekers while there is appropriate child care and schooling available. In that context, I guess the question is: what is the rationale for paying them differently to other job seekers? It is a government policy decision; we cannot comment any further on that.

Senator FIELDING—I will come back to that. As you know, at the moment the Newstart allowance for a single with no kids is about \$404 a fortnight. The Newstart allowance for a single with kids is \$437 a fortnight. Basically, you are saying that a single parent with a kid on Newstart at the moment should get \$16.50 more per week than someone who is single without a kid.

Dr Morehead—The payment is to do with the parent when they are on an income support allowance such as Newstart. Family payments are made in recognition of children, where you get a per child payment through family tax benefit A and B.

Senator FIELDING—What modelling has the department done on raising the rate of Newstart single with kids, which is currently at \$437 per fortnight, to the parenting payment single rate of \$488.90 per fortnight?

Mr Carters—We have modelled that in the context of the three exempt groups, who will actually be on that higher rate. For example, foster carers, home-schoolers and distance education parents—

Senator FIELDING—With all due respect, it is a very specific question. I understand you may have done other modelling, but I have asked a very specific question. Time is short. These inquiries have been running at a fast pace at very short notice, and I would appreciate a direct answer to the question.

Mr Carters—I do not understand the question. You are asking what modelling has been done on raising them to that rate. Do you mean how much it would cost?

Senator FIELDING—Correct.

Mr Carters—We would certainly know how much it would cost, yes.

Senator FIELDING—Do you know?

Mr Carters—Not offhand, but it can be calculated.

CHAIR—Perhaps you could take that on notice and try to get back to us this afternoon.

Senator FIELDING—Did you look at that option of raising the rate of Newstart single with kids from \$437.60 to \$488.90 per fortnight, knowing that the Newstart rate is only \$16.50 more per week than if you have no kids? I would suggest that is pretty low as it is and that maybe the parenting payment single rate of \$488 per fortnight is a more appropriate rate for single parents to help raise their kids.

Mr Carters—The cost of that option is the same as the cost of leaving people on parenting payment single and placing requirements on them.

Senator FIELDING—The issue is that I do not believe that the current Newstart allowance for singles with kids is high enough compared to Newstart single without kids, given that the difference is only \$16.50 more. They have kids and they are looking for a job. I am wondering if the department knows how much it costs to raise a child and look for work. You are saying that you have not done any modelling on raising the Newstart allowance for someone who is single with kids from \$437 per fortnight to \$488.90 a fortnight, which is the parenting payment single.

Mr Carters—I did not say we had not done modelling. I said that it is the same cost as if you left people on parenting people single, and therefore we can give you that cost.

CHAIR—I am sorry to cut across you, but when you were not here yesterday we agreed we would put limits on the time senators have to ask questions. There are other crossbench senators who would like to ask questions, so I am going to have to leave it there and go to Senator Bartlett.

Senator FIELDING—I would like to come back with some more questions, if that is possible.

CHAIR—We would all like to come back, but we have agreed that we have to stick to a timetable today. We will see how we go.

Dr Morehead—On that issue, the rate for family tax benefit A for each child under 13 is \$134 a fortnight. For each child between 13 and 15, it is \$170 a fortnight. Obviously, the single parent receives that on top of the income support.

Senator FIELDING—And so does the parent in the parenting payment system, so there is no difference in that regard. I appreciate you pointing that out—that is very good. But, as I said, they are still worse off than a current parent with a single kid. Lifting it to that level is more appropriate than reducing it, knowing how hard it is to look for work, find a job and balance parenting. As I have said before publicly, for people on welfare, those who can work, should work. However, parents should be parents first and workers second. We as a nation need to make sure we are looking after those people who find themselves in situation where they are not so well off. We should encourage them.

Senator BARTLETT—You mentioned at the start of your evidence today a mechanism you have for identifying people who are deemed to be vulnerable—I think I am using the words right—and who might potentially be subjected to the eight week non-payment period. I was wondering if you could detail a bit more how that is meant to work in terms of what criteria you assess. You mentioned things like mental illness. Does the vulnerability extend to their financial circumstances? For example, do you consider whether they might be at risk of losing their housing if their income gets cut and those sorts of things?

Mr Carters—There are two places where the vulnerable definition fits, although really they are two different definitions, so we should probably use different words. First of all, we identify situations in which the person does not have the capacity to attend interviews, for example. The Job Network member, the employment service provider and Centrelink would

identify those people rather than put in a participation report. Factors such as financial problems are unlikely to fit into that. That is a scenario where you expect people to attend interviews when they are arranged.

The second category is where people have an eight-week non-payment period imposed on them. Access to case management and the funding for essential expenses is examined there. In that case, it is based on whether there is an innocent third party involved—for example, children—or whether it would potentially cause harm to an individual if they went without payment for eight weeks through, for example, mental health circumstances. It is not really intended to be used for people who have no real reason for having three participation failures and who are not genuine job seekers—people who are not complying with the system.

Senator BARTLETT—When you say it is not likely to cause harm to somebody—and one would think that going without income for eight weeks could cause harm to a lot of people—how is that assessed? Again I am using the example of a situation where it is an individual or a family, assuming there are no children involved. If there is a prospect of somebody getting behind on their rent payments and who might be at risk of eviction, does that sort of thing come into play?

Mr Carters—That level of detail is still being worked through, so I cannot give you a specific answer on that example.

CHAIR—I am sorry, Senator, we are out of time.

Senator SIEWERT—I have got a lot of questions; I might have to follow them up again this afternoon. When you were talking about people who have been grandfathered and who still have to do the activity test, does that mean that they can be breached?

Mr Carters—They can have participation failures, yes, and, ultimately, potentially nonpayment. But in the case of parents, it is actually highly unlikely that it will happen, because they are very compliant because they do have children. So the potential is there, yes.

Senator SIEWERT—I am particularly interested in the issue of study and Austudy. My understanding is that single parents who are studying and are not on Austudy will go on Austudy rates and, therefore, they will be paid less. Is that correct? Is it correct that if they are undertaking other study and training, it does not count as activity any more? And if it is, why?

Mr Carters—Austudy is the responsibility of DEST—the Department of Education, Science and Training—so you would need to ask them that question.

Senator SIEWERT—I understand that, and I asked that question on Monday. My question is: if you are studying, why is it no longer being treated as an activity?

Mr Carters—It is treated as an activity.

Senator SIEWERT—My understanding is it is not counted any more as part of your participation.

Mr Carters—It is counted, yes. Basically it can be counted in a couple of ways. You can have Job Search requirements and you can do part-time study to satisfy your mutual obligation, the 150 hours, for six months of each year. Or you can separately do part-time study or even full-time study for a while, as long as it is part of your activity agreement. In

that case, it can potentially satisfy both your Job Search and your mutual obligation requirements if you are doing full-time study, which your employment service provider agrees with you is necessary to help you move into employment.

Senator SIEWERT—I might check that and follow up on it this afternoon.

Mr Carters—Okay. But the normal approach would be that you do part-time study and a reduced number of job searches.

Senator SIEWERT—Foster carers have been taken out; they are getting top-ups and they are being dealt with differently. If you are a family carer, in other words you are not officially listed as a foster carer—and we all know there are a lot of kids who are taken in by other family members—will that enable you to be treated as a foster carer, despite the fact that you are not necessarily listed as a foster carer?

Dr Morehead—It is only if you are an active registered foster carer that you would be eligible for that automatic exemption.

Senator SIEWERT—Have you looked at that? I cannot tell you the statistics off the top of my head, but I know there are a substantial number of family carers, who are looking after grandchildren—although they will not count so much, I appreciate that—or nieces and nephews, who are effectively foster carers.

Dr Morehead—It depends on whether, say, the mother of that child is claiming income support payment, which is calculated because she has the dependant child. If she is then anything would relate to her, because she is the one who has the dependant child. If she were to hand that over to a grandparent, for example, so that the grandparent received that benefit, then that person would. It is to do with who is receiving the benefit.

Senator SIEWERT—In this case it is the carer. If the carer is receiving support for looking after family members that are kids, which is essentially the same obligation as a foster parent, will they have to—

Dr Morehead—They would have to register as a foster carer.

Senator SIEWERT—So why can you not treat them the same as foster carers without them having to register? Many of them will not want to register as foster carers. They have exactly the same responsibilities. You have recognised that foster carers have special issues; family carers in that situation have exactly the same responsibilities. They should not have to register as foster carers. Why can you not deal with them as family carers?

Dr Morehead—What they can do is claim the child as their dependant. That would be the route that they would probably prefer to go, rather than the foster carer route.

Senator SIEWERT—The point I am making is that under this system, under PPS, even single parents with dependants are being put onto Newstart. Foster carers are being treated as exemptions and getting the top-up. Why can't family carers get the same?

Dr Morehead—They are not currently getting the same. It is not government policy that they would currently get the same.

Senator SIEWERT—I know. But why not? You have recognised that foster carers have special requirements. Family carers are foster carers; they are just not registered as foster carers. And most of them will not want to register as foster carers.

Mr Carters—Again, the government call on this was that they need to be registered and active so that we can monitor exactly who fits in and who does not, because this is an income support entitlement issue. But we have certainly taken those views on board and I am sure the government has.

Senator FIFIELD—Mr Carters, I want to follow up something that was absent in Senator Fielding's line of questioning and absent in your answers to him. Parents on Newstart are potentially eligible for family tax benefit, aren't they?

Mr Carters—Yes, they are eligible.

Senator FIFIELD—And people who do not have kids clearly are not?

Mr Carters—That is correct.

Senator FIFIELD—So the quantum by which a family, the parents of which are on Newstart, would be ahead of someone or a couple on Newstart without kids would be significantly greater than that identified by Senator Fielding, wouldn't it?

Mr Carters—Yes. Family tax benefit is a significant payment in recognition of children which people without children do not get.

Senator FIFIELD—Sure. I would not want the impression left by the testimony to this committee that there was not a significant additional benefit for people on Newstart with kids that the government recognises. So thank you for that.

There is something else you might be able to help me with. UnitingCare Australia, who are appearing later today, in their submission, which you may have seen, mention that the maximum penalty should be substantially less than the proposed eight weeks. That is in the context of compliance. They go on to say that the maximum penalty should not apply to minor breaches like not attending interviews. My understanding was that the maximum penalty does not apply for a minor breach such as the first failure to attend an interview. There are a number of steps that have to be gone through before you get to the penalty of eight weeks. Is that correct?

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

Senator FIFIELD—Thank you for that. I am sure it is an inadvertent error by UnitingCare. In the same submission by UnitingCare, they say that the vast majority of people—85 per cent—originally estimated as being worse off under the Welfare to Work package still stand to lose. Are you aware of that figure of 85 per cent? If so, do you have any

idea what the basis would be for that figure of 85 per cent of people, who I assume are on some sort of benefit, being worse off?

Mr Carters—No, not at all. It does sound very high. We can have a look at that.

Senator FIFIELD—Yes, if you could. I will certainly be asking UnitingCare about that.

Mr Carters—Again, I have to emphasise that ‘worse off’ assumes that they will not get a job, which, given the situation of the current labour market that I have outlined and the assistance and services that are available, is a pretty negative assumption.

Senator CHRIS EVANS—The labour market will not stay that way forever, of course, Mr Carters, but the system will.

CHAIR—Only while we are in government, Senator!

Senator CHRIS EVANS—If you believe that, you believe in the tooth fairy. Economic winds blow against all governments.

Senator FIFIELD—Particularly if good legislation is voted down by opportunistic parties. Mr Carters, might I refer you to the Salvation Army submission. It says:

We are concerned that even with the recent amendments, the penalties that ensue with non-compliance are harsh and will create a resultant increase in welfare demands against agencies such as ourselves.

Have you done any work on whether there will be the increase in demand on welfare agencies that the Salvation Army thinks will be substantial?

Mr Carters—They work in the business and that is their call. I cannot comment on whether that is right or wrong. What I can say is that the new compliance regime is actually costing the government hundreds of millions of dollars. It is not saving them; it is costing them hundreds of millions of dollars to implement. That is because it is a far better system in that it focuses on re-engaging people. If people re-engage, unless they are multiple offenders, essentially they do not lose money. In that context, it is hard to imagine why more people will need to go to these agencies. Even if they have an eight-week non-payment period, for many of them there is the opportunity for the case management which will fund essential costs, so it is hard to imagine why.

Senator FIFIELD—Because the whole objective is actually to seek to ultimately lessen demand on these agencies by putting people in jobs.

Mr Carters—In the last year I think there were something like 100,000 people breached, which meant that they had a rate reduction ranging from a 16 per cent reduction in income support for three months, an 18 per cent or 24 per cent reduction for six months through to the eight-week non-payment period, which exists now as well. The vast majority of those people will not have that anymore. The substantial majority will basically not have that breach regime applied to them anymore.

CHAIR—Thank you.

Proceedings suspended from 11.09 am to 11.27 am

FROGGATT, Mr Terry, Regional Manager, UnitingCare Australia

HATFIELD DODDS, Ms Lin, National Director, UnitingCare Australia

WOODRUFF, Ms Jane Catherine, Chief Executive Officer, UnitingCare Burnside, UnitingCare Australia

CHAIR—I welcome representatives of UnitingCare Australia. Thank you very much for being here today. Do you have any comments to make on the capacity in which you appear?

Mr Froggatt—I am the regional manager for southern New South Wales for Wesley Uniting Employment, our Job Network provider.

CHAIR—Thank you. You are reminded that the giving of evidence 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 is numbered 12. Thank you for preparing it. It was a good submission in a short space of time and we appreciate that. I invite you to make an opening statement and then we will ask you questions.

Ms Hatfield Dodds—Thank you for the opportunity to meet with you this morning. UnitingCare is one of the largest non-government providers of community services in Australia with over 400 agencies providing a wide range of services to children, young people, families, people with disabilities and older Australians right across the country, from inner-city locations to the remotest of rural locations. Our services include children's services; child care; in and out of home care; housing and homelessness services; disability services, including open and business employment services; mental health support; alcohol and other drugs services; crisis support, including emergency relief; employment services, including Job Network; and aged and community care services. We are quite diverse as well as being large.

Jane Woodruff, as she said, is the CEO of UnitingCare Burnside, a child and family agency with over 70 programs across New South Wales. She brings that expertise here this morning. Terry Froggatt is the regional manager in southern New South Wales of Wesley Uniting Employment, our Job Network provider, delivering Job Network services in New South Wales and Queensland.

First of all, I want to say we support the government's agenda to assist more social security recipients into jobs. We welcome the increased investments in employment assistance and funding for child-care providers. We know from decades of working with communities across Australia that getting and keeping a job is a sure pathway out of poverty. We are also aware of the many barriers that disadvantaged job seekers face in their search for work. We want to work closely with government, the wider community sector and consumer groups to ensure that the legislation currently under review is as effective as it can be in providing the necessary supports and assistance to assist and support vulnerable Australians off welfare and into adequately remunerated, long-term jobs. To this end, we endorse the recommendations made and the amendments to the Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005 called for by the Australian Council of Social Service in their earlier submission to this committee.

We welcome this opportunity to speak with you about aspects of this legislation that will affect the lives of the more than one million very disadvantaged Australians that we provide services to each year, particularly children, young people, families and people with disabilities. It is many of these people who, despite the economic prosperity of the country, fall into the 5.1 per cent of the population who are currently unemployed. The profile of these groups paints a gloomy picture. It is estimated that about 18.2 per cent of single parent families live in poverty, with government benefits being the principal source of income for 54 per cent of those families. Over 60 per cent of single parents have not had education beyond year 10, and 45 per cent of single parents receiving income support have a mental health disorder. The work force participation rate of people with disabilities, who account for approximately 20 per cent of the working population, is 53.2 per cent. Over 60 per cent of those Australians have reported that they need assistance to cope with everyday life. In our experience, people want to work. What is currently lacking are policies that seek to adequately identify and address the multiple barriers people face in finding and keeping a job and that encourage and empower unemployed Australians. Instead, we have policies that rely on negative incentives that stigmatise and risk reinforcing fear and poor motivation. At a time when Australia is enjoying a strong economy and unprecedented growth, we have the opportunity now to encourage the active participation of the groups of people who are currently reliant on social benefits in our communities through work and through greater involvement in community life.

We wish to highlight four key concerns in respect of the legislation under review that we believe will impact negatively on sole parents and people with disabilities. The first is the reductions in future income support payments for single parents and people with disabilities. From 1 July 2006 parents whose youngest child is eight years or more and people with disabilities who can work between 15 and 29 hours per week will be accessing the enhanced Newstart allowance rather than pension payments. The Newstart rate of payment is \$29 a week lower than the base rate of parenting payment single and \$46 a week less than the base rate of the disability support pension. These are significant amounts for people already living on a shoestring.

The second key concern is investment in employment assistance. Without increased provision of specialist programs around education and training opportunities and the availability of public services and support—for example, affordable housing within reasonable distance of available jobs, quality child care and accessible transport—the barriers faced by groups currently excluded from participation in the paid work force will remain. The ACOSS submission to this inquiry outlines the magnitude of the gap between the provision of employment assistance and the needs of vulnerable groups.

Our third key concern is around activity requirements. Temporary exemptions from activity requirements for foster parents, home educators, parents with disabled children and domestic violence victims are subject to the discretion of the secretary. Temporary exemptions for those who cannot reasonably be expected to participate due to being the principal carer of four or more dependent children, a principal carer having separated within the last six months, people undergoing acute personal crises, such as homelessness, and people undergoing an acute

phase of an episodic or deteriorating illness or disability are not currently listed in the legislation.

Our fourth key concern is the compliance system and the penalty clauses. People who do not fulfil their activity requirements could have their payments suspended for up to eight weeks without distinguishing between a more major activity breach and relatively minor administrative breaches as the current penalty regime does. Initial reaction from our service users across the country to the measures cited above has been a heightened fear and lack of trust amongst those eligible for entry or re-entry into the work force. Change, whether in the social security system or in the work force itself, creates fear in those who are already vulnerable—fear of losing income, fear that signing on for new incentive programs may jeopardise the small securities they already have and fear of compliance measures that have different criteria and that require multiple parallel processes that are beyond the capacity of many of those with multiple vulnerabilities.

We believe that for the welfare reform measures to be successful in enabling this last group of unemployed Australians to achieve the desired outcomes of sustainable, adequately remunerated, long-term jobs, there should be no cuts in payments and no tie to income tests. There should be more investment in programs to assist people to make a successful long-term transition to the workplace. We need relevant and reasonable activity requirements that have legislated guarantees. We would like to see the compliance system and penalties to be imposed graduated and less severe. Thank you.

CHAIR—Thank you very much. I will start by congratulating you, Ms Hatfield Dodds: I understand you are anointed to be the new president of ACOSS. That is a great honour to your organisation and to you personally. I am sure we will see you in that guise on many occasions in the future before committees like this in parliament. I think it is worth making that point. Congratulations.

Could I start by clarifying the environment in which these reforms are taking place. You mentioned a moment ago that we should be investing more in programs to case manage people from welfare into work. You see that carrot approach as being better than the stick. Can I put it to you in a broad sense that, despite the economic gains of the last 10 years, the fact that there are lower rates of unemployment and so forth, we still have, on some international measures, much higher levels of Australians in welfare dependency than do comparable OECD nations. I understand that, particularly with people with disabilities, we have very low levels of participation in the work force—lower than almost anywhere else in the OECD. We need to make fairly big changes; I think that is clear. We have an environment where something fairly significant needs to be invested in managing change, particularly given the work force shortages that are looming for us. The package the government has put on the table will cost about \$3.4 billion. It is not going to be a savings measure in the next three or four years. It is going to cost the taxpayer very significantly. Is it really reasonable to say, in light of the size of the investment in this exercise to date, that it is not enough, that we have to do more, that we have to put more than \$3.4 billion in and that we have to take the other factors out of the equation such that it will (a) be more expensive and (b) presumably reduce the amount of transition made into work?

Ms Hatfield Dodds—As you know, we are a very large provider network and we all sit here today wearing that hat. We need to respond from our experience of providing services, and what we can bring to the table today are stories and expertise in assisting people with multiple vulnerabilities into work. Our experience across our network, whether it is delivering employment services or support services, is that moving people off welfare and into work requires a holistic approach that starts early. I might invite Terry and Jane to respond with experience from the network. Perhaps Jane might want to start.

Ms Woodruff—Thank you very much, Senator, for the opportunity to respond. I think we are very happy with the investment: please do not think that we do not appreciate that there is a lot of money going into this from the government's perspective. However, probably the crucial issue is why you are spending the money and how you are going to spend it and how you are going to know when you have made a success. I guess we would have some concerns around an environment which may get more people into the work force but may do that at considerable cost to their family lives. Of course, one of the commitments that I would have, as somebody who is working in the child and family area, is that we do not get short-term gains and long-term problems because we do not provide adequate support for those families and children as we are moving through this process.

Also, I think there is the experience that we have about understanding the complexity of the lives of the people that we are talking about. We may have this 5.1 per cent of people who are long-term unemployed. There are very good reasons why most of those people are long-term unemployed, and generally speaking it is because their life circumstances are very complex and very difficult. If they had been able to enter the work force, they would have already done that. I think it really is an issue about the context in which we are actually going to apply these reforms, and how we are going to support people on the ground.

It is not our experience as service providers that a punitive compliance regime is what is going to make the difference. What is going to make the difference is a series of well-integrated and wrapped-around services, which are not just about getting people into employment but are about keeping them in employment and also providing them with the other supports—educational opportunities, further training and so on—that they will need to make a success of their lives. My issues are more around the how. I did make a comment when I was listening to the DEWR submission earlier that the devil is clearly in the detail—or, in this case, in the guidelines. I think there is a lot for us to be very unclear and very uncertain about. I say that from the perspective of running programs that work.

One of the things that I would like to do today, if it is all right with the committee, is to table an example of a program which is a joint FaCS- UnitingCare Burnside program. It is a program in which Centrelink officers work in Burnside offices with a targeted group of people, with the aim being to get people back into the work force. That program has been externally evaluated. It is now receiving ongoing funding from FaCS. It is one of eight in Australia. They work. It is not a punitive regime and it actually does the trick. So my response would be not so much 'How much?' but 'How are we going to spend it?'

Ms Hatfield Dodds—I will just invite Terry to respond as a Job Network provider as well.

CHAIR—Ms Woodruff, you said that you had a document. Is it possible to get a copy of it? Could you table that for us?

Ms Woodruff—Yes. I have some copies to table. I will hand them over.

CHAIR—The committee will receive that document, thank you.

Mr Froggatt—Thank you for the opportunity to speak here this morning. You will be pleased to hear, as we have not got a lot of time, that I do not have a great deal to add to what my colleagues have said. I would like to speak very much from the point of view of my experience in visiting and spending a lot of time in Job Network offices around southern New South Wales, ranging from Campbelltown in the northern part of the region down to places like Wallaga Lake and Narooma in the southern part of the region. It is a very diverse geographic area with unique problems.

I would like to congratulate the coalition on a very successful Job Network. I believe that it has been a terrific model. The evidence is already on the scoreboard about how we have engaged people to participate in Job Network and to get jobs. One of the issues, though, is that the outcome of getting a job is the most satisfactory for everyone, but unfortunately there are a number of steps that have to be taken before we can actually get to the outcome.

I do not believe that the current model really takes a great deal of heed of the need to engage people in a way that they feel empowered and feel that they are contributing to their own self-development and growth. It is very much a system where we come in, do the resume, talk to them about job seeking and then they go out and get a job, but there is not a lot of development and growth within that person. That has consequences. It has consequences in the workplace. If they have not got reasonably well-developed interpersonal and intrapersonal skills, the job then falls over, because, although they can do the task, there is a lot more to a job than actually doing the task. There is a lot to do with how you interact with your colleagues and how you interact in the workplace.

Wesley Uniting Employment, I believe, have picked up the challenge of that and we have developed a program called Job Matters which focuses on very long-term unemployed and disadvantaged people, people with mental illnesses and people with disabilities and we work through the issues with them, giving them confidence and self-esteem so that when they are ready to get a job they have got the appropriate skills to use in the workplace. These kinds of programs are not necessarily acknowledged well within the Job Network framework but it is organisations like UnitingCare that see this need and provide these programs. I think that it is very important to focus upon the outcome, which is getting people jobs, but there is a process to get there and I do not know that that is always well recognised. That is essentially my point. I would be happy to table that program.

CHAIR—That would be great. The committee will receive that document. Thank you. You have spoken about people's desire to work and I have no doubt that people your organisation assists exhibit that desire. But there are also, I put to you, significant numbers of people currently in receipt of welfare who do not want to work. They are people who are exploiting the way the system operates. For example, we are told that of the people who receive disability support pension at the moment about one-third suffer from musculoskeletal soft tissue injuries, notoriously difficult to diagnose and to treat. There will be some people on a

pension of some sort who will have an undisclosed income and who are actually quite comfortable while still remaining on that kind of support. Do you accept that we need to deal with those sorts of people, that the carrots will not be enough for those sorts of people and that a different approach is necessary to bring those sorts of people into the work force, particularly given the serious skills shortages that we are facing?

Ms Hatfield Dodds—I think that all of us would accept that there is some proportion of people that are perhaps not oriented towards work. I guess I have two responses to that statement and then I will address the rest of your question, Senator. As a Job Network provider working across the churches with 20 per cent of the market, we have done research and our belief—certainly amongst the job seekers that we are working with—is that less than three per cent of people are what we would call ‘deliberately non-complying’, people who really do not want work.

CHAIR—How have you done research? What sort of research is that?

Ms Hatfield Dodds—I would have to come back to you. I know that it has been done. I have seen the figures, but I do not know. I presume that we have looked at the data that we have gathered but I could not tell you precisely the process. I can come back to the committee with that.

CHAIR—That would be good.

Mr Froggatt—We run a couple of research partnerships with the University of Western Sydney in looking at both quantitative and qualitative research with job seekers. The outcome of that research—and we are happy to make it available—was that job seekers were satisfied with Job Network services and they were wishing to engage. There were very few incidences where someone said, ‘I do not want to work.’ It was more about the process of getting work than the actual fact of not wanting to work.

We find that initially we do get quite a bit of resistance from a small percentage of job seekers but that that is overcome by the right kind of engagement and participation. It is that element of fear. There is resistance and a feeling of not wanting to do this and not wanting to do that. That happens in all walks of life, I think. But once you manage to engage the person and to empower them and to give them some responsibility for what they are doing and some encouragement and maybe some resources, my experience is that they overcome that hurdle and then they become more participatory.

CHAIR—But these are people who are in the job market already, people who are required to be there. We are talking about people who are not there at the moment and who consider they are not capable of being there but who—

Mr Froggatt—We have developed two programs at Wesley Uniting Employment, one for single parenting payment people and one for people on the disability support pension. The first one is called LEAP, Let’s Employ a Parent, and that has been a very successful program. We actually go out to shopping centres and we set up stalls and we engage people. We find that most of the single parenting payment people are in shopping centres, and that is where we engage them. It is not a matter of sitting in an office and waiting for these people to come in; the Job Network providers have to go out and engage these people, and we do that.

We have a program called Connect, which actively markets our services to people on the disability support pension. Now they can voluntarily come into our offices and register through the direct registration that was introduced earlier this year. With those kinds of programs, the single parenting payment assisted by the Transition to Work program, which will be blended into the Job Network programs in the next iteration in July, we have found that there is a great deal of willingness among people who are not contractually having to engage in Job Network services, and they are volunteering to come through our doors. We have the statistics to prove that.

Ms Hatfield Dodds—Do you want to add anything to that, Jane? Jane does not run employment services.

Ms Woodruff—No. The only comment I would make is that one really has to think very carefully about building a whole policy around something that does not have particularly good evidence for the way it gets people involved. When I talk about evidence I am talking about the experiences we have had in a range of programs that we run across UnitingCare. We are working from the assumption that people doing the best they can and wanting to do better gets you better outcomes than assuming that they are trying to rort the system. I do not want to have a debate with you about the percentage of people who might be trying to rort the system. As Lin said, we of course acknowledge that there will be some people who do that. But I am not sure that building a whole welfare reform system round the assumption that people do not want to do something, when the experiential evidence from a range of agencies across the whole of UnitingCare and, I do not doubt, across other agencies—because we are no different in my part of the world from agencies such as Barnardos, Centacare, Baptist Community Services or whatever—is that if you can enable people you will get the outcomes.

I would like to make two further comments about enabling. One is to reinforce the comment that Terry made about people's fearfulness. The people we are talking about are those who historically have often failed or been made to feel that they have failed or are inadequate either because they have a disability and are not valued, or they feel undervalued, or because they are a single parent who has had, for example, violence in their background and poor educational achievement and have become a single parent when that was not the plan they had for themselves and so on. I really want to acknowledge that fear and the importance of recognising it. Enabling also has to be appropriate to their needs. So, if we want single parents in the work force and their primary concern is keeping their children in school, and they are worried that they will truant when their back is turned, we have to do something about supporting them in their parenting role as well as supporting them in their employment role.

Senator McLUCAS—Thank you for your submission and for your tabled documents. Ms Woodruff, I will come to your program in a moment. In your submission you talk about some changes since this legislation was originally announced, but you say that the vast majority, 85 per cent, of people originally estimated as being worse off under the package will still stand to lose. How did you come to that figure of 85 per cent?

Ms Hatfield Dodds—That figure is really about the parenting payment for single parents with school aged children who apply after June 2006. The figure that came from the government pre-budget and around the budget was that 95,000 sole parents would be affected

from 2006 to 2009. With the subsequent changes and taking into account all those recent changes—moving from six to eight years, the foster carers and those other groups on a higher payment, and parents who will get their carer payment due to some expansion for those parents of children with a disability—that number is taken down to around 80,000 parents. That is an ACOSS calculation. If you divide 80 by 95, you end up with around 85 per cent. I understand that the current DEWR figure is around 77,000. So that is where that figure comes from.

Senator McLUCAS—So about 80,000 families will be worse off?

Ms Hatfield Dodds—Yes, over the three years from 2006, when the new arrangements come into place.

Senator McLUCAS—The other thing I found very interesting was your commentary on lessons learned from the welfare process. Your organisation is an organisation with enormous experience, and you have watched various governments over time change and move the welfare system. You say in your submission there are five clear lessons that should be learned. Have those lessons been learned in the compilation of this proposal?

Ms Hatfield Dodds—I guess we have learned lessons from the welfare process—certainly, if you look at our recommendations. We are here at a Senate inquiry, and that is really important. Our hope is that government will continue to consult widely with social stakeholders—and not just with providers but with consumer groups and other peak bodies. No, I do not think we have learned these lessons particularly well. I do not think we are yet talking in Australia about truly engaging people with multiple vulnerabilities and providing them with the wrap-around, holistic services that they need.

It goes back to Jane's and Terry's comments that our experience—it is not our aspirational belief; it is our experience—in delivering services for decades across the country is that people really do not want to engage just in work; they want to engage with, connect with, belong to, be valued by and contribute to their communities. But people who are in this last tranche of unemployed Australians are people with many barriers to work that go to issues of locational disadvantage and issues of infrastructure and social supports. They are all key and they are things government can do things about if it so chooses. The other areas of barriers for people who have multiple vulnerabilities are around the fear and the self-esteem and the feeling that no matter how you try you cannot make a difference. It is the loss of hope, and a lot of the people who are our service users fit into that category.

I will share a story. We have a large service in Port Adelaide that works with population groups, with people who are experiencing serious episodic mental illness. We have a program there that is largely state government funded, but we have small pots of money—up to \$300—for service users who come to us to use to work out how they are going to connect and belong in the community. I think what our providers are doing at the coalface is really creative. They are sitting down with people and asking them what they want. I met a woman who had always wanted a dog. With her \$300 she bought a dog, but the person working with her made sure that she chose a small, yappy dog that needed walking every day. That woman who was shut in, who spent a lot of time isolated at home and who had not connected with anybody in her community is now walking to her local shops twice a day to buy this dog a

can of food. As she walks through her streets and her parks, she has a dog and it is a point of conversation and connection. There is a host of other stories like that. None of it is rocket science; it is about how you move people and assist them to move from where they are, which is incredibly socially and economically isolated, to a place where they can contribute, belong and be valued.

Ms Woodruff—I happened to be sitting in the audience during the DEWR submission. I heard you, Senator Siewert, ask a question about Austudy payments, and the response was that that was another department's responsibility. Whilst of course I understand, having been a public servant in my time, exactly why one would give that answer, you can see from the point of view of the people who are exposed to this system that it makes no sense at all. So I do not think we have yet met the challenge of the joined-up system, particularly from the point of view of the recipient of either the services or the compliance regime.

Senator McLUCAS—I want to talk to you further about the point you made earlier that this program will give short-term gains and long-term problems. I think you were referring particularly to single parents and their families.

Ms Woodruff—I was, yes.

Senator McLUCAS—What are the gains and what are the problems that you think will result from this proposal?

Ms Woodruff—Just for a moment I was taking on faith the government's belief that entering into the work force was a good thing for everybody. I certainly would not want to challenge that as a general principle. However, it obviously depends on a whole lot of factors, like how much money you are going to earn, whether you are going to be worse or better off at the end of the day, the conditions under which you are going to work and so on.

Just putting that to one side, I was assuming that the short-term gains would be that you would have greater participation in the work force. I was speaking about sole parents, whether they be men or women. We have an increasing number of men who have primary care of their children now. The long-term concerns that I have are very fundamental and are around who is actually going to care for these children. Senator Siewert, you also raised the question of foster care payments and so on. My agency is a major provider of out-of-home care in New South Wales. I find it an interesting irony that we understand the importance of foster carers as primary carers but somehow we seem to have missed the point about who is actually going to care for the children of sole parents.

The population of people we are talking about—because these are long-term unemployed people who it is difficult to get back into the work force, not the easy ones—generally do not have supportive extended families. They generally experience multiple difficulties in their lives, including poverty, which may well be employment related. There is nobody else to whom they can easily turn in a crisis. One of the things that we know is very common is that a crisis that may be managed reasonably well by somebody with a lot of supports around them is not managed well by these families. They get tipped over the edge very easily.

My concern is for the children in those families and for the messages that they are going to get. They may get a message that it is very important to be in the work force but they may not get the message, 'The way you're going to get there is that I am going to sit down with you

and do your homework with you every night, because if I do not do that you are going to fail at school.' We are not going to have parents who are available to go to parent-teacher afternoons. We're not going to have parents who are available to go to physiotherapy because physiotherapists do not work after five o'clock et cetera.

So my concern is that, unless we ensure that the way we develop the system equally supports the family and the children, we may well end up with another generation and the next tranche of children for whom there will be either no employment prospects or very poor employment prospects because of their levels of educational achievement, their levels of security, their sense of themselves and so on. So it is the holistic approach that is going to make the difference, not a focus on getting people into the work force at the expense of everything else. That was what that was about.

Senator McLUCAS—The other point that has been put to us is that, because of the lack of access to training that this package presents, the nature of the work that these people will get—this is your short-term gain—is probably not very skilled. Mr Froggatt, you might want to make some comments about this as well. Do you concur with that view?

Ms Woodruff—I do, indeed. We work with about 3,500 families every year in New South Wales and they are all in disadvantaged areas. We do not work with middle-class families. We work with families where, our statistics show, over 60 per cent are dependent on an income security payment for their only source of income. Our experience with those families, particularly with the sole parents, is that most of them are functionally illiterate. They might just be able to read the back page of the *Telegraph*—which is the test you use for functional literacy—but they would be struggling. Their educational experiences have been extremely limited. It takes a long time to get them over the wire. So you actually have to start very early with the sorts of training opportunities and so on.

Because we are an agency that is very well established, we are able to have great relationships with the local TAFE colleges, and they come into our services and run TAFE classes on our premises. That is important, because these people will not go anywhere near a TAFE college and they will not go anywhere near a school. Even though they care about their child's education, they do not want anyone to know that they cannot read because it is shameful. Unless we put in very significant resources to provide those opportunities for them, the only thing that is ever going to be available to them is casual, unskilled and probably exploitative work.

We have had some fantastic success stories. We have people who have done their welfare IV certificate courses and are now employed in our programs as workers. I am always trying to get them to do computer courses. I do not want any more welfare workers; I want them out in other parts of the work force. We know we can do that, but it takes a lot of resources, a long time and a lot of nurturing—if I can use that very social worker word in front of you all. Telling them that they have to do it does not get them to do it. Being very low key is what makes the difference. It is what we describe as soft entry, wraparound services such as saying, 'Can we help you with this?' or 'No, we're not going to fill in the form for you but maybe we can help you to read the form.' It is also working with tiny children, because you suddenly discover that these people are not talking to their children and therefore their children are not developing language skills. We can do it, but if we do not do it their job prospects are pretty

grim, I would have to say. I know I am going on a bit, but I just want to add that they also live in areas where there are no jobs, no public transport and usually no preschool places that are prepared to accept them and/or they can afford to use, so they are really up against it in the range of choices they have.

Mr Froggatt—I will briefly give a scenario of our work transition and training. We came across a chap who was a solid plasterer. There is not a great demand for solid plasterers anymore; they are all gyprock plasterers. The point about this solid plasterer is that he got a bad shoulder, so he could no longer plaster. We had to counsel him for some period of time, and we managed to talk to him about working in the field of disabilities. There is no demand for solid plasterers in Australia, but there is a massive demand for disability support workers. Once we had got his head around the fact that he could look after disabled children—which was his particular interest—we got him into a TAFE college. Before that, we got him into a program called Learning to Learn; we had to actually teach him. This was a guy who was 40 years old. We asked him when the last time was that he had read a book, and he said that he was 15 when he last read a book. We had to teach him how to learn before he could start learning. Three years down the track, the guy is now a house leader. He manages one of the houses for people with disabilities. He said to me a few months ago, ‘I wish I had done this 30 years ago.’ He is the happiest bloke, and his family is happy as a consequence. But it needed that transition, it needed that support and it needed that counselling. That is a lot different from someone coming in the door and saying, ‘You’re a solid plasterer and you have a bad shoulder; all you need to do is to be a labourer over there using the other arm.’ A whole process is involved there, and that is the emphasis we put upon training and transition in the workplace.

Ms Hatfield Dodds—It involves life skills as well as job readiness, so it involves starting way back at the life skills bit and progressing to job readiness and then getting someone into a job and providing post-placement supports to maintain them in employment. That is the missing bit of the puzzle.

Senator FIELDING—I am concerned about sole parents and their ability to cope during school holidays, provided they have child care. What are your thoughts on that?

Ms Woodruff—We certainly appreciate that there has been an increase in child-care places, and that is always welcome. However, I think it is important to understand that we are increasing child-care places in an environment where many children currently are not able to access child-care places for a range of reasons to do with affordability, transport and the general culture of child care, rather than whether or not there are places. If you are convinced, that is wonderful, but we are not convinced that you know where the child-care places are going to go and whether they will meet the needs of the people.

More important, given the changes that say that the pressure is really on when your child is eight, will be the issues of school vacation care and before and after school care. I do not know how many of you are parents or grandparents who have had this experience, but there is no shadow of a doubt that trying to find places that you would feel personally comfortable to leave your child at—not just a place but a place you would trust—is quite difficult in some areas, particularly in areas of locational disadvantage, which is where all of these people live. I have serious concerns about that.

Also, one of the things that I am very conscious of is the contribution that many of these parents make to volunteering activities around running vacation care and after school programs, transport services, tuckshops and all the other things that go to make up the richness of a community's life. These are the very people who are not going to be available, because they are going to be the users of the services into the future. I think there are some very real concerns about that.

The parents who work in my agency mostly have to take school holidays off. They are professional, trained, middle-class workers, and they cannot find appropriate vacation care. I think that is a very important point.

Ms Hatfield Dodds—That is how I use my annual leave: for school holidays.

Senator FIELDING—Yes. Thank you for that.

Senator SIEWERT—I have two questions. Page 6 of your submission refers to the issue of barriers. You made a comment about the fear of change, and you touched on that a little bit earlier. Is the point you are making that the fear of change is stopping people, so that, when people say, 'No, we do not want to go back into the work force,' it is their fear about their capacity and all those sorts of things that is stopping them?

Ms Hatfield Dodds—It is fear of failure. To be a long-term unemployed person in Australia at five per cent unemployment means, as Jane and Terry said, that you are having some serious difficulties with getting or keeping a job. The people we work with are those who have made a success of failure. There are people who failed at school, rather spectacularly in many cases. They have failed in the workplace before or they have failed to even get into the workplace. They have failed in their communities and in their relationships. In the last two days we have just had a national board meeting in Canberra and I was talking to some of our CEOs. They spoke of service users they know who would rather cop an eight-week suspension of income support payments, which pushes them straight into emergency relief and crisis support services, than attempt another failure. So it goes to the engaging, the nurturing and the wraparound of services. It sounds really soft when you say it like that, but our experience at the coalface is that that is what works if you want to attach people to the labour market and maintain them there.

Senator SIEWERT—My next question relates to the issue of getting a job being better than being on welfare. While I agree that having a job gives people a lot of self-esteem when they achieve things, what if you are in a job where you are not doing much better than you were on welfare and you are still in poverty? What is your experience with that? Is that your concern? What does it mean in terms of how it helps people to get out of the poverty cycle? It seems to me that it puts paid to the idea of getting a job and getting out of the poverty cycle, as it does not work.

Ms Woodruff—From the experience of my service users, I think they would prefer to be in work than almost anything, because it gives them human adult contact and it gives them an immense source of pride, even if for many people it might be a job that does not seem to be much of a job. It is very important, of course, that we do not devalue those sorts of jobs in this society, because they are very important jobs. The difficulty is when you start to lose in other

ways, such as when you start to lose other benefits that make your life worth while, whether they be financial benefits or access to certain types of services and so on, as a consequence.

I will give two examples. My background originally is in disability. I can only speak about New South Wales examples, but there has always been huge encouragement to get people with disabilities into jobs but then they lose their attendant care or their home care service—which enables them to get out of bed in the first place—because it is means tested. Once your income goes up, you are not eligible any more. So that is a good policy collision. There are similar examples in New South Wales and now in Queensland. If your income level goes up high enough, you lose your public housing. I am not sure that having a not-very-good job for a not-very-good income is going to compensate you for having to challenge the private rental market in a capital city in order to keep your kids in the same school growing up in the place where they live.

Senator FIFIELD—There are some good jobs out there. You are making it sound like every job is low rent, bad, negative, doom and gloom.

Ms Woodruff—If you are very poorly educated I think that is the reality, and if you are very limited in the amount of hours you can work. Don't forget—and again I am only speaking about families with children—that you have to work within school hours. You don't have any choice. You might be able to work until six o'clock or 6.30 at night. No after school hours services run later than six o'clock at night. They do not exist. So you are very limited in your choice. But there are some fabulous jobs. If we give them the right sort of training—

Mr Froggatt—I take your point. The cohort of people we are referring to here are level entry. They are coming into the workplace. They haven't got the skills, they haven't got the qualifications.

Senator FIFIELD—There are nice workplaces, even for entry level positions. Not every job is a horror to go to every day. A negative impression is being put forward.

Ms Woodruff—I believe that what I said is that from my experience and my service years they would rather have a job than almost anything. What I went on to say is that if you lose your other supports and benefits you may still want to have a job, but the benefit of having that job, which I believe was your question, declines pretty rapidly.

Senator FIELDING—It is not about whether employers are good or bad—the issue is how many jobs are out there between nine and five. If you will not take a job between, say, 2 am and 7 am, where does it say in the legislation that they will not breach their compliance?

CHAIR—The government has announced lately that if you cannot work at reasonable hours, fitting in with child care, you will not be required to take the job. It might not be in the legislation—I concede that. It is a question of how you structure it.

Ms Hatfield Dodds—It would be a concern of ours to put those protections in the legislation.

CHAIR—We are going to have to wrap it up. We have another group to see before 12.45.

Senator SIEWERT—I want to make sure that—

CHAIR—If you want to ask a question on notice, they can come back to us.

Senator SIEWERT—I assumed that when we were talking then we were particularly talking about the group of 60 per cent of people at the moment who are in the cohort that does not have year 10 education or who only have year 10 education.

Ms Hatfield Dodds—They are our service users.

Senator FIFIELD—Ms Woodruff, you were saying that some of the people whom you dealt with had a fear of failure, were functionally illiterate and lacked social skills and that some had a fear of even setting foot in a school because of their lack of educational opportunities. You then went on to describe other clients of yours who are running tuckshops and being volunteers and who, if they had to take a job, would not be able to do these things. I am glad you added that rather than conveying the impression that just about everyone you dealt with was in that first category. I am glad you added that there are people who are not scared of setting foot in a school and who are better positioned to take a job.

My question on notice is to Ms Hatfield Dodds. I asked DEWR this morning about the reference in your submission where you said a vast majority of people, 85 per cent, originally estimated as being worse off under the package still stand to lose. I asked DEWR if they were aware of the basis of that figure of 85 per cent. They said they were not but it sounded extremely surprising. I am just wondering if you could tell us, either now or on notice, what the basis is of that figure of 85 per cent being worse off.

Ms Hatfield Dodds—Senator, I addressed that at the beginning of the submission.

CHAIR—It will have to be on notice; we have not got the time.

Ms Hatfield Dodds—I will be happy to provide you with a written response. I have spoken to DEWR—I spoke to Graham Carters—after their time with you this morning.

CHAIR—Any other questions on notice?

Senator FIELDING—In relation to noncompliance stopping payments for eight weeks, I would like to know: firstly, what do you think will be the impact of that on sole parents and, secondly, do you think that is an appropriate penalty? Also, has there been some consideration of whether we would be better off having a progressive series of compliance breaches, of moving, say, from one to two to four and getting to eight, rather than just cutting in the eight straightaway? I know there are issues about progression before you reach noncompliance, but I think that once you reach noncompliance it would make a bit of sense for that also to be brought in progressively. I would like your thoughts on that as well, thank you.

Ms Hatfield Dodds—We would be happy to do that.

CHAIR—Do you have a question to put on notice, Senator McLucas?

Senator McLUCAS—I am worried about doing this because the report has got to be in to the Senate next Monday.

CHAIR—Yes. It basically means you have to give us an answer within two or three hours, I am sorry.

Senator CHRIS EVANS—That is one of the democratic processes that now apply in the Senate, so you just have to go with it!

Senator McLUCAS—Ms Woodruff, we would be very interested in the evaluation of the program that you referred to earlier.

Ms Woodruff—Yes.

CHAIR—I thank UnitingCare very much for the time you have spent with us today and for your submission.

[12.21 pm]

THOMPSON, Mr David Francis, Chief Executive Officer, Jobs Australia Ltd

CHAIR—Welcome. I am sure you are aware of the constraints and opportunities of parliamentary privilege; I will not remind you of that. We have your submission, for which we thank you. I invite you to make an opening statement and then we will ask you some questions.

Mr Thompson—Just very briefly, it would have been really useful to have had considerably more time to consider the detail—and there is a lot of detail—in the legislation so as to be able to provide better and more informed advice and information. I have been involved, firstly as an officer of the department of employment for quite a long time, in the field of employment, education and training and labour market assistance for 25 years. This is a very complex set of measures. I think over time it will need to be further tuned and developed. I think that is inevitable; I say that in our submission.

I recognise the government wants to get the legislation through as part of the process of a massive implementation exercise that is under way. In my submission I point out that there is an awful lot that is not said in the legislation that is going to be dealt with in guidelines and perhaps other instruments. The department and the minister have given undertakings that there will be pretty solid consultation on some of those things. It is my own view that, given that the measures are going to impact on many, many citizens—hundreds of thousands of them—it is important that the parliament has close scrutiny of some of these things as well.

The other thing I would observe is that it will be, as presently operates, open to the secretary to delegate some of those decision-making powers not just to Centrelink but to other contracted service providers, such as Job Network providers and others. I think there are some issues about their capacity to undertake those processes which I could go into, if the committee wished.

To go to the measures themselves, it is generally agreed that effective welfare reform involves the right combination of incentives and requirements together with the right sequences of relevant assistance. I think I am echoing a point made in a number of ways by the UnitingCare people. Effective welfare reform and measures to reduce dependence on income support must also be implemented with a strong focus on positive engagement. I think one of the risks that we run—I think it is already happening now—is that there is too much of a focus on compliance and too many resources applied to the process of securing, monitoring and reporting compliance. It is a bit like using a machine gun approach when a more targeted and risk managed set of compliance arrangements would recognise that the great majority of people—I do not know what the percentage is but it is high—want to get a job. A great majority of people on the disability support pension would like to get a job. A huge proportion of the males on the disability support pension have the combination of the disability and long periods out of the work force, and a very large proportion of them are over 55. Their job prospects are quite small, or as Bob Gregory from the ANU would say, they do not have any hope of getting a job. There is a need to positively engage people and for the system to recognise that these are citizens that for a variety of reasons have come to be on income

support, and in many cases have come to depend on income support, and need a hand to get off income support.

I can recall as a pensions officer in the Department of Social Security in Devonport in Tasmania in 1978 I was putting retrenched farm labourers with bad backs on invalid pensions because it was thought to be the right thing to do for them. That absolutely has not been the right thing to do for them. But to get them from a position where they have been out of the work force et cetera to being back in, it needs a process of positive engagement. I am not suggesting, by the way, that the government is proposing to compel those people who have been on these pensions for such a long time to get off them.

In terms of the measures themselves, there is a very strong emphasis on requirements and potential penalties. There are substantial disincentives for parents and people with disabilities because we have not done nearly enough to tackle the very high effective marginal tax rates that they wear as a consequence of the intersection of the tax and welfare systems. There are improved and welcome incentives for people presently on Newstart and youth allowance and there is some modest additional assistance for those being brought into the new Job Search and activity regime. I think the measures would be fairer, more balanced and more potentially effective if there were more substantial investments in assistance, no reductions in payments and associated disincentives for parents and people with disabilities and a less potentially onerous compliance and penalties regime.

I go on in my submission to suggest that—recognising the government is proposing to invest an additional \$3.5 billion in child care, employment assistance and other things—from my own experience and my knowledge of the system as it presently operates, we need more resources than that. We need more resources for a variety of different measures in the employment assistance and training area. I think we need the government to also recognise—and it is not part of this bill—that until we tackle those very high effective marginal tax rates, and everyone recognises that that is not an easy task, there will still be strong disincentives for people to move into work and to do so in ways that I think we would all wish they would.

I think there are some other things that would improve the measures in the bill. The removal of access to the pensioner education supplement for parents who move onto Newstart means that it will limit their opportunity, recognising that those who are on the supplement at the time of the transition get to keep it, but those coming later do not. There is a substantial body of evidence in the US—and it is very contemporary—from the Manpower Demonstration Research Corporation to suggest that the work first approach by itself is not enough. We need a combination of work first approaches with some careful, tailored and sequenced investment in human capital, as they put it—that is, training and so on—to equip them not just to enter the work force in entry-level jobs but also to progress them in the work force to get a better toehold.

I also wish to echo the concerns expressed that, for the parents—and a big number of people to be affected by all of this are parents—it is really important that the child-care places are in the right places at the right times. I can only echo the concerns of my colleague from Burnside about vacation care. I am a well-off member of a two-parent family. We are both employed and well off. I have two kids—one is eight and one is 12. We find vacation care an absolute nightmare. It is very scarce in inner metropolitan Melbourne and some of it is just

awful in terms of its quality. That is going to be a real issue for the women who are required to and do undertake paid work. If they get a job, they may have to tell their employer, ‘I need two weeks off and it happens to be around Christmas, when we are really busy, because the kids are on holidays.’ That problem is not resolved.

I could go on, but I will finish with two other points. I strongly believe that the best way to resolve poverty and other disadvantage that the people we are talking about suffer is to help them to get a job and keep a job. There is no argument about that proposition. But none of these measures address the realities in those rural and regional locations in particular, where there are not any jobs, or not enough of them; there is no transport; and housing is cheap so there is little opportunity for mobility to better labour markets and so on. I do not see this as having been an issue in this country for a long time. It has been brought into sharp focus with a headline, ‘Unemployment at a 30-year low,’ but we are yet to do things to tackle the problems for those people in those locations.

I was a member of the government’s Breaching Review Task Force last year. I spent a lot of time with my colleagues on that process. I understand and recognise that, for the sake of the integrity of the system and the other things that flow from that, there need to be penalties in the system for people who wilfully do not comply. But I think that, for people who have done the wrong thing and then decide to do the right thing, there also need to be opportunities, if the system is to be about engagement, for the penalty to be lifted. In my submission I make the recommendation that the same sort of clean slating that currently operates now—if somebody is on a penalty and they say they will comply, the penalty gets lifted from the point of their re-engagement—ought to be a feature of this new system.

The other thing I would observe very quickly is that I understand from the legislation that those people who have incurred what I will describe as breaches prior to the introduction of the new system are effectively carrying, as if it were a drivers licence, points that will count towards the three strikes for the eight-week penalty. It is absolutely necessary that those people are told that they have a number of breaches on their record and of the consequences of incurring another breach. Many of them will not be aware of that and will not be aware of the system.

One of the major recommendations of the Breaching Review Task Force—and I have been discussing this with Minister Andrews and with senior people in the department—is the need to vastly improve the way the system communicates with people through Centrelink letters and all sorts of other things and to make sure that people understand the consequences of their failure to meet their obligations, because we suspect that many people do not clearly understand those things. I will leave it there.

CHAIR—Thank you very much for that presentation.

Senator CHRIS EVANS—Mr Thompson, you made a couple of points in your submission about Job Network providers and how they will be impacted. I was particularly interested in your sense of what will happen to those who are grandfathered on the DSP, in terms of the incentive for Job Network providers or anyone to offer them proactive assistance. You made not a negative but probably a fairly realistic point about their job prospects anyway, but I think we all take the view that, with low unemployment and particular skill shortages, there is

probably a once-in-a-life-time opportunity for some people to get back in the market, which was not there years ago or at different times in the economic cycle. I just wondered what your view was about those who are effectively grandfathered—I suspect thrown on the scrapheap—in terms of the focus on them and whether you think there is anything that could or should be done to better assist the residue DSP recipients.

Mr Thompson—I think I quoted Bob Gregory, and I said that he is saying they haven't got a hope. I think he may be exaggerating the point. But the incentives for Job Network members to assist people with disabilities on DSP, including those with very limited work capacity or job prospects, are very high in terms of the money, the levels of payments for outcomes and all the other things. I suspect there are some issues about the extent to which the system, being designed by and large for people who have activity requirements, may need to be made more flexible to better enable the service provision for people who do not have them. There are very low numbers of people volunteering on DSP; it is less than 1,000 a month nationally, I think, and they will not tend to be some of those people. It will be very interesting to see the extent to which they can be encouraged to undertake the various forms of employment related assistance to help them get off the pension as well. I think it is important that we continue to try to encourage them to volunteer.

Part of my point earlier is that the system needs—as I used to say—to engage, enthuse, encourage and empower people. It has to have a positive ring, a positive engagement sort of twang to it, if I can put it like that, so that people who do not have to, as well, are prepared to give it go. And then it is up to the wit and experience of the providers, within the frameworks that the government and the department provide, to actually do the sort of service delivery that Mr Froggatt was talking about before.

Senator CHRIS EVANS—In terms of the pensioner education supplement, do you have any understanding of the rationale for it being removed for those who go onto Newstart? Do you think that is a positive thing, or do you think they ought to be able to continue to access the pensioner education supplement?

Mr Thompson—It is not something I have discussed with either of the ministers. In discussions with senior officials, I have heard the remark that that kind of investment in education is inconsistent with a 'work first' approach. As I said earlier, in September Mr David Butler, who is Vice President of the Manpower Demonstration Research Corporation in the US and an expert evaluator and researcher on these things, said to me and to a number of other people at a conference we were running that it is actually not all one thing and not another; it needs to be combinations of both. I think for those people—and there are not a large number of them—who want to get a better education and a better qualification, it will not be possible for them to do it, certainly not using the job seeker account. They have to go on to Austudy, and they have to meet all the other costs. It just means it will not happen.

Senator CHRIS EVANS—Do you have any knowledge of the British system, where they try and apply bonuses for those who get a job and stay in a job? Do you have any understanding or analysis of the success of that sort of approach?

Mr Thompson—I have not seen any evaluations. I was in the UK last year talking to providers and to the Department for Work and Pensions. I cannot answer your question. I

suspect that, unless the jobs are very low paid—so low paid that people are still in poverty—the reward of getting and keeping a job in itself might be enough. But, not having seen the evidence, I cannot really say much more than that.

Senator FIELDING—Mr Thompson, you spoke about noncompliance and stopping payments for eight weeks, and obviously you think it is a little heavy-handed on noncompliance. Clearly there is a build-up to it. Do you think there is merit in having a staggered approach—one, two, four, five, six and then eight weeks without payments, progressively going as you breach?

Mr Thompson—I suspect there is. I am not at all concerned about that proportion of people who might be working and not disclosing it or not turning up. I am not at all concerned about that. But, for the people who are not working and cannot get work, what do they do for those eight weeks? What do they actually do? The policy and the legislation suggests that some of them will be case managed by Centrelink and that those with children—and I have seen a presentation where the department used the term ‘the vulnerable’—are supposed to be excluded from the prospect of a penalty in the first place. But it is unclear to me whether that means they will get the resources to feed their kids but that they cannot have any food. I am not being flippant—I just do not know how that is going to work. For somebody who really does not have any other resources, who is not going to get access to that system and who cannot get a job, the prospect is that they go and beg for emergency relief. My proposition was that, if they have done the wrong thing by not turning up or whatever, they should be able to demonstrate they will re-engage, be re-engaged and come off the penalty.

I agree with the notion that a more staggered approach might be useful. I think it is very important, as I said earlier, that, where there are such serious consequences for people, their obligations and the consequences of their failure to meet their obligations are very clearly communicated to them. As a member of the breaching review task force, I can tell you—and this is not a negative criticism of Centrelink—one needs to be fairly on the ball to be able to comprehend some of that material. I gather my colleague who is the Executive Director of the Social Security Appeals Tribunal, Les Blacklow, is working with Centrelink to see if they can improve that right now. But, if people do not clearly understand the consequences and can then face the prospect of having no income support or emergency relief, I think it is very important that the system communicates it effectively. Of course, the upside of that, apart from being just and fair, is that the better the system helps people understand their obligations, the more likely it is people will meet them.

Senator McLUCAS—Mr Thompson, in your submission you identify that one of the barriers for people with disabilities in accessing employment is employer discrimination. You are not alone in identifying that as a barrier. Could you give the committee a bit of an understanding of the extent of that and how it can be overcome?

Mr Thompson—All I can really do is report on the experience of people such as Maurice Corcoran and others from various peak disability organisations, who have found that it is quite widespread. I also say in my submission that the government is involved in a process of trying to stimulate employer demand. In the Welfare to Work measures there is a \$50 million employer demand strategy to promote the employment of people with disabilities, amongst others, and to promote them and their ability, which I think is a really good thing to do. The

Job Accommodation Network—its current title—is being set up by DEWR, and it will provide advice and support to employers and, importantly, as well as that to service providers working with people with disabilities. Senator, you might recall—it is a long time ago now—the International Year of Disabled People. We need a campaign like that that runs forever, really.

Senator McLUCAS—I am glad you made that point. There does not seem to have been a direct effort from government to deal with the question of discrimination since the International Year of Disabled People.

Mr Thompson—It is a long time ago. As I said, there is work in train. Whether it is enough remains to be seen. I have not yet read the human rights commission submission, but I presume they tackle that question as well.

Senator BARTLETT—I am interested to get a sense from your experience and your job providers about the value of the ‘sticks’ in the process, I guess. A lot of people in evidence have talked about the eight-week period without income, but there are a couple of much lesser sticks along the way to encourage people to comply. As part of the core goal of encouraging people into work, which everyone keeps talking about and agrees with, how important are those sticks and are there occasions when they are actually counterproductive?

Mr Thompson—There is no doubt they need to be there. The question is how big they are, how often they are used and who they are used on. For the people that some of my colleagues from Uniting Care were talking about that are effectively beaten and defeated, the stick is absolutely the wrong thing to use. As I said earlier, it is all about enthusing, encouraging, engaging, empowering and bringing them along. For the great majority of people it is about doing the positive, with the knowledge that if people do not do the right thing there is a stick there. I doubt that there are any providers that would say there are not people out there—a small proportion, a very small percentage; I suspect there is no empirical data about exactly how many there are—who are playing the system and who need to understand that if they continue to do that there will be consequences.

Senator BARTLETT—Obviously things will change. I do not think anybody is clear yet precisely how. Taking your point about the term ‘vulnerable’, I think it is fair to say from the questioning of the department this morning that they too are not yet totally sure how that is going to be defined and interpreted. So I guess we are all going to have to find out. Going on where things have ended up to date is probably the best we can do. Is there enough flexibility at the moment to ensure that the sticks do not get used on people where it is the wrong thing to do and that they are used only on that small minority when that may have value?

Mr Thompson—I suspect the correct answer to the question is that there will be people on whom penalties are imposed for whom it is the wrong thing. The current arrangements are very complicated. The future arrangements are even more complicated. The current arrangements apply to a very complicated cohort of mainly unemployed people. The new arrangements apply to those people plus people with other complications in their lives. We have roughly 1,000 Job Network sites, 25,000 Centrelink staff and several hundreds of thousands of people washing through the system. I have no doubt that in that system there are unintended consequences and wrong things happening. We have to try and make sure—this is

not just a matter of the legislation; it is also a matter of the practice—that we use the right combinations of things at the right times with the right people. Every Job Network member will say that some people need to know the sticks that are there and some of them need to have it applied to them for them to play ball. As I said, we need to make sure that those for whom that does not need to happen do not get caught in the same system.

I would also make this observation, which I made as a contribution to the breaching task force: if one sat down and added up the costs of the compliance measures in terms of all the work that goes on—reporting, considering reports, calling people in and all that stuff—and the costs of collecting the fortnightly forms and all that stuff, I think everyone would agree that there is a whole lot of money being wasted on people who are compliant and do not need that kind of approach. You could imagine an approach—hopefully we will get there; the department, I understand, is certainly working on this with Centrelink—where the compliance effort is focused on those people at greatest risk of being non-compliant, not the vulnerable. We see, for example, that the highest incidence of breaching is in vulnerable Indigenous people and young blokes; it is young men. Have a different compliance regime for them as compared with that which you might have with another group of people that are quite different.

I did some back-of-the-envelope calculations about this for the current system. We are talking of at least \$100 million a year being spent—I am not talking about Centrelink's work—in the participation reporting from the Job Network, community work coordinators and Centrelink and the toing-and-froing that goes on between them for an uphold rate which, at the time the breaching review task force reported, was 15 per cent or something. There is a lot to be done to better target and focus that compliance as well. In the framework that is proposed by the government, that is presumably all going to be in the guidelines.

Senator BARTLETT—Presumably.

Senator ADAMS—To follow on from that, I would like you to verify that Centrelink case manages the people who are penalised and they will not leave them to starve. They cover their food and their utilities. If they are parents, they do not lose family tax benefits A and B or rent assistance.

Mr Thompson—I have heard that proposed, but I have not actually seen the detail of how it is going to work, who gets it, who does not, what is an acceptable expense and what is not an acceptable expense. I do not know exactly how it will be operationalised or what the policy settings would be in terms of who is in and who is out of that process. I think the one thing that is absolutely true about all of this is that how it is done is just as important as the frameworks in which it operates. There is too much that is unknown for me to answer that.

Senator ADAMS—I see that you have been very involved with the breaching side of it. Firstly, do you believe that people should be breached and, secondly, at what level do you think this should happen?

Mr Thompson—I think I have made my view on that clear. I think people who clearly understand their obligations and who clearly, wilfully, unreasonably and continually fail to meet their obligations need to have a penalty. It is important for the sake of the integrity of the system. Otherwise, the system becomes something like a joke. I do not think the system

presently works all that well in terms of being consistent and the communication and all of that stuff. As to the dimensions of the penalty, I do not think it needs to be as long as eight weeks. There is no basis on which one can come to an empirical conclusion about what it should be. I could talk to you about penalties for drink driving, petty theft and all sorts of other things. I come at it by thinking, ‘What sort of medicine do we need to give people to make them meet their obligations and tell them that there are consequences?’ But what do they do in that process? If they are already working, as I said, I do not care—if they can get a job and do get a job then that is good. But if they cannot get a job, what do they do? Presumably they rely on emergency relief if they can get it. I think that eight weeks, for that reason, is too long. I cannot give you an answer as to what is right.

Senator ADAMS—At the start of your presentation you quoted Bob Gregory. The question is really why you consider that people over 55 have no hope of getting a job. I was quite surprised at that. I am from rural Western Australia. In Western Australia we have an enormous number of these people going back to work now because the jobs are there for them.

Mr Thompson—I guess that, if you look at the numbers, there are combinations of things. There will be disability or disabilities—and it will typically not be just the sorts of things that Senator Humphries was talking about before, such as musculoskeletal things and bad backs and all of that; it will be bad backs and depression, because one leads to the other. There will be long periods of detachment from the labour force, which means having not only no contemporary skills but also no understanding of contemporary workplaces. Quite often they will be living in locations where all of the amazing growth in the labour market has not actually hit. Added to that, there is a degree of discrimination from employers—not just about people with disabilities but also about people with disabilities who are getting on in years. It is a combination of those. I think it is important to also acknowledge that there has been a very significant positive increase in participation of older workers in the labour force. I acknowledge that quite a lot of those people are getting jobs. I do not expect that very large numbers of them are people who have been on DSP long term and are over 55.

ACTING CHAIR (Senator Moore)—Mr Thompson, if you have anything to add just let us know. We have all afternoon to finalise this report. Thank you.

Proceedings suspended from 12.59 pm to 2.18 pm

STAITE, Lieutenant Colonel John, National Secretary, Salvation Army

CHAIR—Welcome. Is there anything you would like to add about who you are representing at this committee today?

Lt Col. Staite—I am representing both the southern territory for the Salvation Army and the Australian eastern territory for the Salvation Army.

CHAIR—I remind you that the giving of evidence to the committee is protected by parliamentary privilege and the giving of false or misleading evidence may constitute a contempt of the Senate. We have a submission from you, and we thank you for producing it in fairly short order. We realise it has been a challenge for many of the parties to submit to the inquiry, but we thank you for it. Would you like to make an opening statement before we proceed to ask you questions?

Lt Col. Staite—Thank you; we appreciate the opportunity to participate. To underline the principles which the Salvation Army has made in its submission, you might like to note the following. We recognise with respect to this bill that the need for all sectors of the community to assist the most disadvantaged towards obtaining meaningful and fulfilling employment is not just the government's responsibility; we see that all sectors of the community need to demonstrate their interest in this area. There is a need for a system of fairness in considering the abilities of those who are able to work and a need for government to ensure the most disadvantaged do not fail in their ability to cope and manage themselves.

The supplementary welfare services of NGOs are under duress due to increasing demand in the gap between the wealthy and the poverty stricken people, and the mental health sector and the deinstitutionalisation of services have placed additional demand upon NGO welfare services. There is a need to address deficiencies in the system so that those who can gain independence from welfare services can attain to that position. We want to stop the revolving-door syndrome in welfare services. We see the capacity of NGOs to assist the government in establishing wise and helpful legislation and, in that respect, the Salvation Army is appreciative of the opportunity to participate in this exercise today.

In these matters, we encourage the government to ensure the wise use of resources, and we believe that, if this is done, it will assist the government to achieve the ends that the bill encapsulates in its pages. I should also add that our submission recognises that, as a member of ACOSS—the Australian Council of Social Services—the Salvation Army supports the submission that ACOSS has made. Consequently—and I think we have stated this in our submission—our submission is of a brief nature, recognising that we are in support of the ACOSS submission.

CHAIR—You do not make any recommendations to the committee as such, but, first of all, I ask: how many people does the Salvation Army assist of the kind who would be affected by this legislation around Australia?

Lt Col. Staite—It is difficult to quantify some of these things, because you never know what is going to emerge from one year to the next. In the last 12 months, the Salvation Army assisted 1.5 million people nationally. That recognises that, for people who present for

assistance to the Salvation Army, there are children associated with that request, so we include those numbers, although they did not make the direct requests. We estimate that there would have to be between 700,000 and 800,000 people of the nature associated with this bill.

CHAIR—Does the Salvation Army operate job placement services?

Lt Col. Staite—Yes, we do. We operate under the Job Network emblem—the network membership. We operate under the name of Salvation Army Employment Plus.

CHAIR—The committee has been looking at the question of the number of people who would be affected by these changes and is interested in how these changes will affect the position of individuals who at the moment are not required to work but who may have the capacity to work, as determined by the processes outlined in the package. Those processes centre around the capacity to work assessment process, CWCA. I wonder whether you have had a chance to look at the way in which that process operates and whether you have any suggestions or comments to make on the mechanism that is used in the package to deliver an assessment of a person's capacity to work.

Lt Col. Staite—We believe that there are some assumptions contained in the package. One of those assumptions is that mention is made of bringing people up to speed as far as their education is concerned—in other words, to develop training for those who might require training. We believe there is an assumption that once trained you can get a job. We believe that there is also the issue of capacity and ability, which the bill may not address. The processes of the administration of the bill, if it is passed by the legislature, would not necessarily mean that because someone has been trained they have the ability or the capacity to fulfil an expectation in terms of work.

CHAIR—Do you have any suggestions about how you would change the process that is outlined so as to better achieve the objective that you just referred to?

Lt Col. Staite—I do not think we have looked at the specifics of a system or a process that would address that. What we wanted to do in our submission was to try and make sure that the assumptions that are underlying the legislation do not become traps for the unwary. Coming back to the point that I was making, 'Bill Jones' or 'Mrs Jones' might be recipients of a disability pension. Moving from that scenario and recognising that they are going to be required to fulfil a work expectation of a minimum of 15 hours per week, if they do not have the capacity to work in a particular area, no amount of training will necessarily compensate for that deficiency. They might have interests that might be enhanced with a bit of training but them having been trained in a particular field of interest does not mean that they will necessarily be capable of fulfilling a work expectation within that interest.

CHAIR—Presumably, your services operate both in urban and regional Australia.

Lt Col. Staite—Definitely.

CHAIR—I am particularly thinking about the job placement services.

Lt Col. Staite—Yes.

CHAIR—Do you have a comment to make on the availability of jobs across different regional areas? Obviously, it is a very broad issue. There are many areas where there are more jobs than in other areas. Do you have a comment on the size of the task facing services like

the ones you operate in connecting with employment the people who will be affected by the package?

Lt Col. Staite—If I can be so bold, you almost answered the question by asking it. We certainly see a difficulty here, particularly in the remote areas of the country where there may be a significant downturn in the economies of local communities and in the capacity to generate jobs within those communities by virtue of them being isolated. There may be a drift to the urban areas. We recognise that there are going to be limitations in those areas. A place like St Arnaud in the wheat belt in Victoria is a very small area. The Salvation Army has a representation there. It has a very limited capacity to generate the kinds of jobs that the people we are dealing with, who are at the lower socioeconomic end of the scale, have the capacity to do in that particular rural community. I cite that as an example. We see this as being one of the obstacles to fulfilling the worthy objectives of the bill as far as remote and rural areas are concerned.

CHAIR—You would not characterise that kind of problem that goes with isolation and depression and lack of opportunities as being typical in any way of the kind of problem facing people in regional and rural Australia?

Lt Col. Staite—I would not describe it as typical but I would certainly see a need for people to exercise care. One of the most remote areas in our country, as we know, is Alice Springs. But Alice Springs is a significant community that has a certain capacity to generate opportunities that might not exist in a place that could be closer to one of the capital cities. You might pick out Northam in Western Australia, which might have the same capacity to generate the degree of opportunity that a city like Alice Springs can. I am only putting it forward as a hypothetical, but it is a possibility.

Senator McLUCAS—Thank you for your submission, Lieutenant Colonel Staite. We have recognised to every witness that we know it has been a bit of a rush. You said in your opening statement that the Salvation Army is looking for people to ‘access meaningful and fulfilling employment’. It has been put to us that people, especially those who move from the parenting payment single without training onto Newstart, may not achieve that goal because of their existing limited education level, which is compounded by the lack of training. Do you have any comments about what types of employment that group would access and particularly, given your comments about access to employment in rural areas, what the likelihood is of the types of employment for those individuals?

Lt Col. Staite—The difficulty for us is that the kinds of people we are looking at are those who would find it difficult to secure a meaningful occupation simply because they are at one of a particular scale of those who have the capacity to step into the employment scene, despite any kind of training that we would dare to offer them or that they would be capable of. I guess I am stereotyping people, and there can be difficulties with that and I could be criticised for stereotyping, but that is the fact we are looking at.

One of the issues that the Salvation Army has considered in its submission is that we have another piece of legislation being contemplated in relation to industrial relations reform. It is going to require people to enter into agreements for work that might be described as being of a part-time nature, and we believe it will pick up a lot of those jobs that are currently available

and will disenfranchise those who are contained within this piece of legislation from obtaining those jobs.

Again, I recognise that we are speaking hypothetically because it is not in place yet, but we are trying to think of scenarios that are likely to emerge as a consequence of one piece of legislation having an impact upon this piece of legislation. The part-time positions that we believe are available in the community may very well be taken up through AWAs in the other piece of legislation being contemplated by the government at the moment. At the risk of repeating myself, I think we have the risk of those positions being unavailable to the people who are affected by this piece of legislation.

Senator McLUCAS—The positions would be unavailable to them?

Lt Col. Staite—Simply because there will be those who will be taken up in part-time work.

Senator McLUCAS—I acknowledge the point you make about trying not to stereotype people, but in your experience what is the level of negotiating skills that this group of people would have to be able to negotiate with an employer about not only their wages and conditions but their hours of work?

Lt Col. Staite—Again, I will have to rely upon the nature of the people who do call upon the Salvation Army in this particular area. Our experience is that there would be some severe limitations upon their capacity to do that. Our experience is that the deinstitutionalisation that has taken place in the mental health area, for instance, has seen a lot more people with mental health disabilities currently receiving a disability allowance presenting to organisations like the Salvation Army and others who provide that welfare service. We have seen an increasing demand from that sector and they certainly have very limited capacity, from our observations, to enter into those kinds of negotiations.

Senator McLUCAS—The other issue that has been repeatedly brought to our attention is the government's proposal to have a period of eight weeks without payment for the people who do not comply with participation requirements. Given that you are an organisation that often picks up the pieces when people are destitute, do you expect that you will be assisting at that end as well?

Lt Col. Staite—I think we commented in our submission that we regard that as an unfortunate piece of the legislation which is punitive and that we would like to see that eight-week period reduced. We are suggesting four weeks by way of illustration. We recognise that there are reasons for that measure to be put in place but we believe eight weeks to be excessive, especially taking into account the circumstances which could be prevailing. Certainly, if that is the way that the legislation is going to be enacted, we would see that as having an impact upon welfare services.

Senator McLUCAS—So four weeks for all people who do not comply with participation requirements?

Lt Col. Staite—Four weeks is the maximum. It could be flexible as to whether you need to have any punitive measure at all in a particular instance. I guess we would be arguing for taking a case on its merits rather than drawing a line and saying, 'You fall over the line, so you are out.'

Senator McLUCAS—Do you see a need for some punitive measure?

Lt Col. Staite—Sorry?

Senator McLUCAS—Do you see a need for any punitive measure? If you were constructing the system, would there need to be a punitive measure in place?

Lt Col. Staite—We believe that you need to make provision for those who are recalcitrant as far as their obligations are concerned. We recognise the principle on which a lot of this kind of activity is founded—that is, mutual obligation. Sometimes the notion that there is a punitive measure in place can have the effect of making people realise what their obligation is, even though you might not necessarily have to call upon the measure to do it. In other words, it could be a means of securing compliance, the absence of which would mean that you are opening a floodgate for people to flout the requirements of the legislation.

Senator McLUCAS—We have had discussions about how many ‘recalcitrants’—to use your term—there are. Concerns have been expressed to us that there is a group of people who might fall into this breaching provision who are not necessarily recalcitrants—people who are wilfully not wanting to engage in the work force—but a group of others who fall into the breaching provisions inadvertently.

Lt Col. Staite—In its activity with the Job Network, the Salvation Army made a very strong submission in respect to breaching that was required as far as Job Network providers were concerned. We advocated very strongly against breaching provisions for the very point that you make. That is, there are those who are not necessarily recalcitrant but are victims of circumstances. If we were going to advocate for any particular group of people, it would certainly be for those who fall within that category, especially those who do not have the capacity to bat for themselves. Welfare agents might be typical of those who seek the services of the Salvation Army. We want to advocate on their behalf in that respect.

Senator MOORE—In your statement, you express some nervousness about reliance on the guidelines, which the department is promising to draw up to fill out the detail. For the record, could you explain why there is nervousness about that?

Lt Col. Staite—I guess it is probably because when you are starting down a new path there are of necessity a number of assumptions that you have to make that have to be proven in the cold light of day. I think that is the reason there might be some nervousness, simply because it is speculated upon a certain set of assumptions and, again, hypotheticals, I suppose. I appreciate the fact, and the Salvation Army would recognise, that the legislation has not just fallen off the back of a truck. A lot of thought, care and investigation have gone on behind this. We recognise that and we would not want to insult those who put the legislation together by suggesting otherwise. Again, until a piece of legislation is enacted and the capacity to prove its merits and its worth can be undertaken, then you can only work on assumptions and that is where some of the nervousness might apply. Less unwittingly, those who are disadvantaged—as the state of play is for them at the moment—become even more disadvantaged. That is why the Salvation Army have been bold enough to put its submission about being careful and not falling into that particular trap.

Senator FIELDING—Thank you for the submission. Could you comment on whether those who receive parent payment single, which is much higher than the proposed Newstart

single with kids allowance, are finding it really easy to make ends meet? In other words, do they have surplus money and would they love to stay in that situation? Should we realistically make the payment lower for single parents with kids?

Lt Col. Staite—The experience of the Salvation Army is almost an axiom, a self-evident truth; that it has people call upon it for assistance who cannot manage on the payments that they are receiving currently. We would caution against taking that step to put them on Newstart, simply because this would exacerbate the demands upon welfare services. If they are not managing now then they would manage less well when they move through onto the Newstart allowance. I do not want it assumed that there are not those who are able to manage, and a lot of that has to do with lifestyle and choices. There are those who manage very well and are probably able to say that, but there are those who are not managing for a whole raft of reasons, so they call upon people like the Salvation Army for assistance. If they are not able to manage now under the PPS arrangement, they are going to manage even less well on Newstart. The models that I have seen indicate that the dollars are significant when comparing the two payments.

CHAIR—Thank you very much indeed for your time here this afternoon. We are coming towards the end of our hearing. I think we have explored many of these issues very thoroughly, which is why there are not as many questions for you as there may have been for others.

Lt Col. Staite—I understand.

CHAIR—Thank you very much for your submission and for your appearance here today.

Lt Col. Staite—It is a pleasure, Chair, and thank you for allowing the Salvation Army to participate. It is appreciated.

Proceedings suspended from 2.45 pm to 3.00 pm

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

CHAIR—We will resume the public hearing and again welcome representatives of the Department of Employment and Workplace Relations. There are a number of issues which you have taken on notice from this morning's session and which you are still working on. There were other questions that arose out of earlier sessions, and there may be some questions that arise out of testimony given today. We will now proceed to questions from the committee.

Senator CHRIS EVANS—If the department has responses to questions from earlier today, we could start with those and that might short-circuit the process.

CHAIR—That is fair enough. Are there any questions you can give us answers to now?

Mr Sandison—We are gathering the answers. We have come ahead of those answers, but the intent is to get them to you as soon as possible during the course of this session. Perhaps we will indicate as soon as we get them so that we can answer those questions. We have notified the secretariat that we will come with a single copy, not with the 20 copies, so as to get the answers before you as fast as possible. We will sort out the process afterwards, if that is okay.

Senator MOORE—Mr Sandison, does that include the job figures? We have pages of graphs about the market, but I cannot see an answer to the particular question about exactly where the jobs are across the country.

Mr Carters—I can table that.

Senator MOORE—Great—but we have not got them yet, have we?

Mr Carters—No.

Senator CHRIS EVANS—Senator Moore was not sure whether they were supposed to be in something she already had or whether they were coming separately.

Senator MOORE—We have a bundle of stuff here with some beautiful graphs, but I could not find anything about job figures.

Mr Carters—Sorry; that has just been tabled. I will clarify one thing, and that is the issue about the number of people on the income support payments in 2008-09 and whether or not the figures included taking into account those who got a job and went off income support. The answer is that in fact they do not take into account any people who got a job and moved completely off income support. Although, having said that, the vast majority would be in part-time work and therefore would stay on some residual income support payments.

CHAIR—So the figures you have given us for 2008-09 in each category are people that you would expect would be notionally in those categories on the basis of previously qualifying for PPS or for a disability support pension and that would then be on Newstart?

Mr Carters—Yes.

CHAIR—But that figure may be lower, taking into account obtaining full-time employment and therefore not needing any Newstart, or the fact that they are only on partial Newstart because of being able to obtain partial employment?

Mr Carters—Yes, what it has not taken off are those that would have got sufficient full-time work to go off benefit completely, in respect of allowance taken for that.

Senator CHRIS EVANS—Basically, it is the figures of the customers you expect to walk in the door as a result of those new arrangements. Are you saying you do not have any projections as to how many you expect to remain on partial benefit or on no benefit at all?

Mr Carters—What we do not have is the differentiation between the two, so we have not made any allowance for the ones that might go completely off.

Senator CHRIS EVANS—So of the 75,000 sole parents coming into the system, do you have a figure of how many you expect to be in part-time employment?

Mr Carters—We have an estimate of how many would be in employment. That is what I am saying: we have not differentiated between part-time and full-time employment.

Senator CHRIS EVANS—What is the estimate of those in employment, because I thought we were dealing with the gross figures today rather than that estimate?

Mr Carters—We do not have that split. The estimate for the Welfare to Work package as a whole, the estimate of those that would move into work in that time frame, was the 109,000 figure, which has been given in the past. I do not have a separate split on how many of those are sole parents.

Senator CHRIS EVANS—So of the 150,000, roughly, of both disability and sole parent customers being brought into the new system over the next three years, you expect 109,000 of those to be in some form of employment?

Mr Carters—The 109,000 is not necessarily just the people with disabilities and the parents.

Senator CHRIS EVANS—Who else is it?

Mr Carters—There are mature age—

Senator CHRIS EVANS—Yes, you were not able to give us those figures this morning. Do you know now how many mature age—

Mr Sandison—We do have those figures coming, yes.

CHAIR—So the figures are coming on that. It would be nice to have this in a diagrammatic form.

Senator MOORE—With a lot of footnotes.

CHAIR—It is still not clear to me what the story is, so if you can give us a document which tells us what the projections are, it would be very useful. We have been toing and froing on this issue, so we will look forward to that.

Senator CHRIS EVANS—Are you telling us, just so I am clear, that you will not be able to break it down? For instance, we know now that 42 per cent of parents on parenting payment single have some sort of work or income from a work-related activity. You are not able to say to us what the increase in that figure is likely to be under the new system? You only have one global figure for the whole lot. Currently the disability pensioner activity is much lower than the parenting payment single.

Mr Carters—Yes.

Senator CHRIS EVANS—It seems to me you cannot come up with a global prediction because you have two quite different categories with two quite different histories. But you are telling me you have only got a global figure for the customers; you cannot break your projections down to the subset. We have got to measure this against some sort of criteria as to whether it has been successful or not. Are you telling us that you cannot tell us how many you expect to place in work in addition to those who already do it under the current voluntary system?

Mr Carters—To assess the effectiveness of it, we can look at the numbers that are placed in employment as a result of the measures. Whether or not our estimate looking forward is accurate or not does not necessarily in any way determine whether or not the outcome is successful into the future. What determines whether it is successful or not is how many people are placed in employment.

Senator CHRIS EVANS—With respect, I am not sure that is right. You are asking us to approve \$3.6 billion of taxpayers' money. I want to hold you accountable for that and I want to know what you expect to get out of it before I authorise us paying it.

Mr Carters—Sorry, what I said was that our best estimate is 109,000, but that is only an estimate. In reality, the odds of it being precisely that are negligible. It could well be a lot more, it could well be less.

Senator CHRIS EVANS—I accept it is an estimate; I am just trying to find out what the basis of it is. You have got three quite separate categories of people with three quite different sets of experiences and current participation rates. I am asking you: are you able to provide a breakdown of the estimated change in behaviour as a result of these changes among those subgroups?

Mr Carters—I cannot answer that. I will have to take that on notice. I do not have the split of the 109,000.

Senator FIELDING—You have got a figure of 109,000. How did you come up with that figure?

Mr Carters—They were best estimates of the number of people who, given the additional services that they will be receiving, are likely to go off income support based on the usual outcomes for those services.

Senator FIELDING—It must have been a broad-brush number, because you have not got the individual break-up. It must have just been a percentage, was it?

Mr Carters—I do not have the break-up with me. We may have it available for you.

Senator FIELDING—I do not think the question was: have you got it with you? The question was: do you have that number? You could reply, 'I don't have it with me, but I've got it back at the office.' I am just try to work out how you come up with a number on three categories without saying we have just done a percentage across the board. How can you do that?

Mr Carters—As I said, we will need to check whether there is a breakdown of that 109,000 figure. I cannot give you an answer whether there is or is not. In terms of how you could get a figure without having a split, you could take the Welfare to Work package as a whole and look at what overall effect that could have.

Senator FIELDING—You could, but I would like to know what the rationale for taking that was, that is all.

Mr Carters—Yes, and we have taken that on notice.

Senator CHRIS EVANS—It is very frustrating because it seems to me the claims of the package are based on estimates of success with the argument that it is worth our spending this money to get this number of people into work. If you cannot tell us how many you expect to get into work or why, it seems a pretty big ask of the parliament to take on blind faith that somehow this is all going to work. There is not a rationale advanced other than that we need more people in the work force and these groups have not traditionally been well connected to the work force.

Mr Carters—But I did give you the 109,000 figure as the best estimate and I have taken on notice to provide a split of that—

Senator CHRIS EVANS—If possible; if you have got it.

Mr Carters—If possible, yes.

Senator MOORE—Those estimates would have been done by your department, wouldn't they? That would be a DEWR process.

Mr Carters—Those estimates dated back to—

Senator MOORE—Pre-budget?

Mr Carters—when the task force was operating out of PM&C.

Senator MOORE—So it would be a PM&C model?

Mr Carters—No, PM&C did not do the modelling. The task force did that.

Senator MOORE—I am interested to know in what database this modelling was done. In days gone by, that was the kind of task that FaCS did—developing figures for those kinds of estimates for such a change. But we have been told consistently for the last six months that DEWR is the agency for all things to do with Welfare to Work. Is it the case that whatever modelling was done would have been specific to the task force but it would have been owned by DEWR?

Mr Carters—It is owned by DEWR now, yes. But when the task force was operating out of PM&C it was basically a combined effort between DEWR, Finance and Treasury.

Senator MOORE—So it was shared. I have not been able to consume all the employment figures, so I will keep looking at that later. But I want to get into my head very clearly a comparison of exactly what constitutes meeting the requirements under the new program. People who are assessed under the new program have a certain amount of responsibility to do different forms of job seeking and so on. I want to follow up on what Senator Siewert said about training and education. All kinds of questions have been asked and comments have been made, so I want to get this clear in my own mind. If someone in the new system is seeking to do training or take up an education option, how does that work and what do they have to do to meet the requirements?

Mr Carters—If somebody is working with their employment service provider and it is felt that training or education is the best option for them then there are a couple of ways in which it could work. The first thing is if they want to go into full-time education for a substantive period of time then they would need to transfer to an education form of income support—Austudy, Youth Allowance for students or Abstudy, depending on the circumstances.

Senator MOORE—Is that any form of full-time education?

Mr Carters—No, that is for a substantial full-time education course such as a university course. If the course that they needed to do was a short training course of, say, up to 12 months—that tends to be the limit—then they could do that and remain on the Newstart payment. If they did that on a full-time basis it would satisfy their mutual obligation requirement and it would generally satisfy their Job Search requirement as well. If they did the training on a part-time basis that would satisfy their mutual obligation requirement and it would be likely that they would have a reduced Job Search requirement as well, to cope with both activities.

Senator MOORE—Is that dependent on the number of hours?

Mr Carters—Yes.

Senator MOORE—This would all have to be approved? Would they work with a certified person in the job agency and then back through Centrelink?

Mr Carters—Yes, it would be part of their Newstart activity agreement.

Senator MOORE—So there is the possibility that they would be able to take up a form of study and meet their obligations, but it would vary according to what type of training or study they are taking up?

Mr Carters—That is correct—and according to the number of hours per week and the duration of the course.

Senator MOORE—Do you have any idea how long it would take to get that approval? One of the things we hear about is that, if you are going to enrol in education, the time you have to apply and accept a place can be quite short.

Mr Carters—It depends whether you are talking about an approval for a course while staying on Newstart or approval for a course which requires a switch across to an education income support payment.

Senator MOORE—Would the person who was making the determination with your job centre and Centrelink be able to help you through the process of switching to a full-time study component?

Mr Carters—Yes.

Senator MOORE—That would be part of the mutual obligation of working together?

Mr Carters—Absolutely—for two reasons. One is that, if they moved into full-time education, it would be extremely likely that the employment service provider would get an outcome payment for that, so there is an incentive for them to do that. Also, from a Centrelink perspective, there is an incentive to move them across, because that is the correct form of income support for them to go on to.

Senator MOORE—Where is that in the legislation? I want to study up on the process you have just described about what fulfils the obligation.

Mr Carters—Again, those specific details are not written into legislation, but those sorts of guidelines operate now and will continue to operate. It is really continuing what currently exists.

Senator MOORE—There has been a great deal of confusion about how the element of training meets your obligations; that has been discussed. Can we take it from you this afternoon that it will be clearly pointed out in the guidelines and that, subject to the discussion and it being approved training and education, this would fulfil the requirements under the new process?

Mr Carters—Yes, that is correct.

Senator MOORE—Is there any difference between that and the old process in terms of training opportunities, if you are on Newstart now?

Mr Carters—No.

Senator MOORE—It is the same rule—no change?

Mr Carters—It is the same rule. Generally, up to 12 months of study is okay. If you are doing a course that goes for more than a semester at more than six hours a week, that satisfies mutual obligation et cetera. That is what it is now.

Senator MOORE—So there is no change under that component?

Mr Carters—No.

Senator MOORE—The element that does change in that whole process is JET child care, which I know is run by another department, but it is all part of the whole-of-government approach. It is now limited to 12 months.

Mr Carters—That is run by FaCS; I cannot comment on that.

Senator MOORE—Is voluntary work in guidelines or legislation? That has also caused considerable questioning about whether being able to show a link with the voluntary work you are doing fulfils the requirements.

Mr Carters—Undertaking voluntary work is able to meet your mutual obligation requirement, which is the 150 hours on top. However, unless you are 55 or over, you would need to do Job Search in addition to that.

Senator MOORE—So you meet half the requirements by voluntary work?

Mr Carters—Yes. The only way in which that would be different would be that, if the employment service provider thought that undertaking voluntary work was contributing towards you getting an employment outcome, they could write that into the Newstart activity agreement. That could then become more than just mutual obligation; it could contribute to your job search.

Senator MOORE—Once again, that goes back to making the case.

Mr Carters—It does, yes.

Senator MOORE—You would present the case of the kind of voluntary work you are doing and work that through, and then a decision would be made by the person in the Job Network.

Mr Carters—That is right—negotiating the Newstart activity agreement.

Senator CHRIS EVANS—You devolve the decision making to the Job Network provider in that case, do you?

Mr Carters—The Job Network member has the delegation to negotiate and approve the Newstart activity agreements.

Senator CHRIS EVANS—Is there any appeal against that?

Mr Carters—The appropriateness of the Newstart activity agreement is appealable, yes.

Senator CHRIS EVANS—So if there is a disagreement between the client and the Job Network provider as to whether a particular course is appropriate or not, they can appeal that decision?

Mr Carters—They can certainly appeal it on the basis that they are not capable of undertaking the course, for example. There could be issues about whether the course is appropriate.

Senator CHRIS EVANS—I understand those issues. What I am saying is what right does the client have to dispute that if they are not happy with the Job Network provider's decision? You are delegating what has traditionally been a departmental authority. I understand the range of disputes that might arise from that, from both parties' point of view. But you are effectively delegating a Commonwealth departmental responsibility to the Job Network provider. I am interested in this. If someone wants to do cake decorating as a course because they think it will help them get a job in that field and the Job Network provider does not think so, how is that dispute resolved?

Mr Carters—That, again, is the current scenario. That is what happens out there now. The way that dispute is resolved is that it is appealable. If the job seeker does not consider the activities in the activity agreement to be appropriate in a number of circumstances or conditions they can appeal that. The appeal process cannot turn it over. They can set aside the determination and then make a recommendation. But that gets renegotiated.

Senator MOORE—How long does that take?

Mr Carters—The SSAT is what I am referring to.

Senator MOORE—So it takes a while to go through the SSAT process? My understanding is that it takes a couple of months.

Mr Carters—Quite possibly.

Senator MOORE—I am sorry to be pedantic about this, but we have had a lot of questions. I have drawn up my own little graph here, but I really should have asked you to do this for me. We have the double responsibility of 150 hours, which gets reviewed every six months, to see that we are meeting that part of the requirement and then we also have the new one, which is looking for work. I want to make it clear in my own mind that you said that, provided it is approved and discussed, a formal training arrangement can meet both those obligations.

Mr Carters—Yes, either or both.

Senator MOORE—And the only limitation to not meeting would be the hours.

Mr Carters—The hours and the duration of the course.

Senator MOORE—And also that the person would be assisted through that process, that they would not just be left to do it themselves. They would be assisted through that by their job person.

Mr Carters—Yes.

Senator MOORE—That is part of the whole package.

Mr Carters—They may be able to have the course funded out of the job seeker account by the Job Network member.

Senator MOORE—To what limit, Mr Carters, in terms of that payment?

Mr Carters—It is completely flexible. It is up to the Job Network member to work with the job seeker to identify what is best for them. If they see a course as leading immediately to a job, and that course is costing a couple of thousand dollars, the Job Network member may choose to pay that money. If they do not think that it is leading to a job, they will probably choose not to pay the money. Others may not need any assistance at all, so it is really swings and roundabouts in terms of how much you spend on an individual.

Senator MOORE—The other issue we have had raised on a number of occasions about the people who would be in a transition process is the issue of the pensioner education supplement. We have heard evidence from a number of people that sole parents and people on disability payments have been actively using that payment to access education in the last few

years. Do you have figures about the use of that payment? Has any work been done about how many of these people have accessed the pensioner education supplement?

Mr Sandison—The cost of PES is in the order of \$70 million to \$75 million a year. It has come up through our consultations as an issue for the people who are already studying. Clearly the issue is that people who will be on Newstart—so new claimants—are there as job seekers and will only be able to do education and training in relation to what Mr Carters has just described. For people who have already engaged in some educational course with PES but may be required to move over to Newstart, there is support for them to continue and complete that course of study while they are on Newstart. So again, it is a grandfathering, if you like, of that PES engagement and it is listed in the legislation for the parenting element to make sure that is covered.

Senator MOORE—For the current people who may be moving across?

Mr Sandison—If they are studying under PES as at 30 June. They have to have already engaged in study and be eligible for and receiving PES. If they move across to Newstart then there is continuity to allow them to finish that course of study—but not to start a new one—so that people do not get stopped halfway through.

Dr Morehead—These are the new entrants who come on to parenting payment first, because of the child's age, under the new system and then need to switch to Newstart once the youngest child turns eight. The grandfathered group stay on parenting payment the whole way through.

Senator MOORE—On Monday you went through the other entitlements that have been carried across. Is the PES, or the PES equivalent, going to be carried across?

Dr Morehead—Only if you started the course when you were on parenting rate.

Senator MOORE—And if you did not?

Dr Morehead—Then you do not get it. It is a pensioner education supplement for people on pensions.

Senator MOORE—Is there an equivalent payment for someone who is a job seeker?

Mr Sandison—No.

Dr Morehead—No.

Senator SIEWERT—So those people on Newstart who study will be on a lower payment and will not have any top-up, even though they cannot work because they are studying?

Dr Morehead—If you want to study a three-year degree full time and you are on Newstart then you would switch to Austudy.

Senator SIEWERT—Okay. I will come back to that in a minute. If you have permission on your activity statement to be studying as part of your participation requirements, I understand it means that instead of working you have permission to study. If you are on the Newstart payment, you are not getting topped up by any work or anything. The argument I understand the department is making is that if you are on Newstart and you have a job, you will top yourself up through your work. But if you are studying, you will not be able to.

Dr Morehead—On Newstart, you would be able to study full time if it is in your activity agreement. But that is normally for short courses. If you are doing a three-year degree then Austudy is the payment for you.

Senator SIEWERT—My understanding is that you could be on an approved course for up to a year?

Mr Sandison—Yes.

Senator SIEWERT—So for up to a year you are on Newstart and you are studying an approved course, but you have had your payment reduced by however many dollars it is, \$29 or whatever, for that year, with no PES.

Mr Carters—I have two comments. The first is that that is how it works now for job seekers.

Senator SIEWERT—It is not how it works for single parents.

Mr Carters—The second comment is that that is why it is important that the study is going to lead to an employment outcome and is not just training for training's sake. There is an incentive to do that study, so that when you complete the study you will have a job and you will be on a higher rate of pay.

Senator SIEWERT—But for a year, you do not have that. It is a substantial amount of money over a year if you are trying to hold your family together and study. You have gone on to Newstart and you do not even get PES. What is the rationale?

Dr Morehead—The rationale is that you are not a pensioner any more; you are a job seeker on Newstart. You can study and receive PES until your youngest child is eight. So until your youngest child is eight, you are on a parenting payment which attracts PES. So there is quite a long period of years there.

Senator SIEWERT—That does not get over the point that if you have kids over eight and you go on to Newstart, you have up to a year with a drop in income and no way of making it up, because you cannot work because you are studying.

Mr Carters—That is one of the choices that you have to make. If the need is to have more income sooner then the person can make the choice to get a job quicker rather than study for a year. There are those sorts of options. They are personal choices.

Senator MOORE—The choice being offered to people is that they either get a job quickly and get money or choose to study and lose money.

Mr Carters—Temporarily.

Senator MOORE—For a temporary period of time.

Mr Carters—And it is not actually losing money.

Senator MOORE—Has any study been done by the department or any of the departments looking at the linkage between access to study and job outcomes? Under the current system, if you are a pensioner you have this payment that is encouraging you to take up study options. Mr Sandison has said this comes to about \$70 million to \$75 million; I do not know how many people that involves. This is a particular payment available to pensioners, and the key

element in this change is that people are not going to be pensioners anymore. I think we have got that message. And as they are not going to be pensioners anymore they do not get pensioner study assistance. Has there been any work done to look at how effective that pensioner study assistance has been and what the outcomes are? It seems to me that if something works for pensioners it would be just as good an argument to say, 'It might work for people who are not pensioners as well, so why don't we look at taking this encouragement tool we have for pensioners over to people who are not?' The argument of the department all the time is: 'They're not going to get it because they are not pensioners.' I was wondering whether there had been any studies we could have a look at that say that it is not a valuable thing, that it does not work.

Mr Sandison—PES came over from FaCS in machinery of government changes. I am not aware of a specific evaluation or review. I am aware that the breadth of scope under PES for study and also repeat study is pretty wide, so there is a significant amount of people doing courses to study rather than as a link to employment as such. It could be a degree, another qualification and so on—there is no limitation. My understanding of how it operated was to provide an opportunity for people to engage in education and study and training while staying on those pension payments. With regard to actual reports, I can ask Family and Community Services. Nothing has been done in terms of an evaluation since it was moved to DEWR.

Senator MOORE—It does seem to be a specific thing that is no longer available and I want to see what the rationale is for that.

Mr Sandison—Can I just make a comment. The job seeker account is accessible for all Job Network members and we are talking about people moving onto Newstart. PES is about \$62 a fortnight or \$30 a week, based on about \$1,500 for a year-long course. Job Network members have access to the account to provide assistance and support people in education, training and a range of other things where they are vocationally oriented. That is the goal and the role of the job seeker account.

Senator MOORE—How much does that go to? PES was a solid amount—if you were entitled, you got that much money and you could budget on it. The job seeker account is flexible—

Mr Sandison—It is a variable amount. An amount goes into the account and it is a flexible amount for the Job Network member to determine needs of individuals to lead towards an employment outcome which was the goal of a year-long course of study. PES is supposed to be there to provide assistance with the cost of education, rather than as a top-up amount for living expenses. Job seeker account is provided for that purpose as well through the Job Network. So there is an alternative option for access to funds to assist people with the cost of the education.

Senator FIELDING—My first area of questions is the taper rates. What modelling, if any, did the department do to investigate the possible changes to the Newstart taper rates?

Mr Carters—The modelling was undertaken as part of the task force which was run out of Prime Minister and Cabinet.

Senator FIELDING—Were different taper rates modelled, or just the ones that have come up?

Mr Carters—A range of options were modelled.

Senator FIELDING—What were the effects on disposable incomes of these different taper rates for single parents and also for people with disabilities and other Newstart recipients?

Mr Carters—I am not completely sure exactly what you are asking. Basically, what was clearly demonstrated was that if somebody is on the Newstart rate of payment and working 15 hours they are substantially better off than if they are on a pension payment and are not working.

Senator FIELDING—Would you be able to provide the different taper rates that were modelled and their effects?

Mr Carters—I will take that on notice, but possibly not.

Senator FIELDING—And the reason that they are ‘possibly not’?

Mr Carters—The modelling work that was done as part of the task force is for government and is not something that they may chose to provide more broadly.

Senator FIELDING—Okay. On family reconciliation, how did your department come up with and decide upon a 12-week time frame as a grace period during which single parents in receipt of parenting payment single attempting to move into work could safely return to parenting payment single should the attempt to move to being partnered fail?

Mr Carters—Again, that was a policy decision taken by government.

Senator FIELDING—I wonder whether the department is aware of research by the Department of Family and Community Services which suggests that it is not uncommon for people on parenting payment single to experience multiple break-ups with their partners. In fact, 23.7 per cent of women receiving income support have broken up with their partner three or more times. Has that been taken into account?

Mr Carters—Yes. The duration of 12 weeks set by government was on the basis that that was an appropriate time to allow for re-partnering or otherwise.

Senator FIELDING—My last question is on the job seeker clarification instrument. The department has estimated that 160,000 single parents and people with disabilities will receive Newstart allowance instead of parenting payment single and the disability support pension. The figures I have may be different to yours, so I am happy for you to clarify that. Of these individuals, has the department estimated how many would have been assessed as highly disadvantaged prior to the changes to the job seeker classification instrument announced in the budget?

Mr Carters—No, that work was not done, because these people were not of a group that we could assume would have flowed through at that time. So there was no reason to do that.

Senator SIEWERT—I want to be clear about Austudy. If I want to study for more than 12 months I have to go onto Austudy even if I am a single parent.

Dr Morehead—If it is full-time study.

Senator SIEWERT—I understand it is about \$166 a fortnight less than the current pension rate.

Dr Morehead—The Austudy payment for single people with children is \$427.80 per fortnight. The current rate of parenting payment single is \$488.90 per fortnight.

Senator SIEWERT—I do not fully understand the job seeker stuff, so I would like to clarify it. As I understand what you have just said, access to an account is given to Job Network members to provide financial support to people who might want to study for up to 12 months. Is that correct?

Mr Carters—It is not just for that purpose; it could be for wage subsidies, counselling or anything, really.

Senator SIEWERT—However, it is at the discretion of the Job Network member to decide if they want to provide financial support to a person studying.

Mr Carters—Yes, it is essentially at the discretion of the Job Network member, in consultation with the job seeker.

Senator SIEWERT—And they can provide direct financial support to the client at a similar rate to PES. Is that correct?

Mr Sandison—I do not think it is provided to the individual. It is to pay for costs and so on, so it might be the purchase of books, equipment for studies or, potentially—

Senator SIEWERT—It is not the same as PES?

Mr Sandison—No. It is not an ongoing allowance.

Senator SIEWERT—It is not cash in hand—that is what I wanted to know. So they could get help with books and things like that, but that is about it.

Dr Morehead—And to pay for the course.

Senator SIEWERT—Has there been any consideration of providing PES to Newstart recipients? I have heard your argument but I still do not understand it. Why aren't people on Newstart being given access to PES?

Dr Morehead—Because it stands for pensioner education supplement.

Senator SIEWERT—Let's change the name!

Dr Morehead—It was designed for people without participation requirements, so it was designed for people who had no requirements to get a job. That was the whole history and structure of the payment, so it is not as though you take that and say, 'Let's just tack it on now to people with participation requirements.'

Senator SIEWERT—Let's move away from that then. We have had long evidence of the fact that we are trying to fill in, we are trying to get people off welfare dependency and get them into work. We have also heard about the skills shortage. We have also heard that 60 per cent of people currently on PPS have an education level of year 10. There seems to me clear evidence from an economic point of view that we have a skills shortage and then from a people point of view that people need skills updating. Why can't we look at how we can help people on Newstart to study and improve their skills so that they are not financially worse off,

because they are going to be. Any way you look at it, while they are studying they are going to be financially worse off, and these are people with kids.

Dr Morehead—There are really three groups just before we get into that directly. There are the people who will remain on parenting payment because they are grandfathered. They still have access to PES, so that group will have participation requirements and are still able to study if they like. There is the group transitioning, when they first come into the income support system their child is younger than eight and they get PES, so those two groups are still getting PES.

Senator SIEWERT—Until the second group moves off.

Dr Morehead—They are allowed to get it on Newstart while they are finishing their course. It is only people who come straight onto Newstart who have never been on parenting payment who do not get access to it. Around 42 per cent of parents do some work as well as get their income support payments, so although there have been statements that they are unskilled and they cannot get jobs or whatever, they are actually fairly able to engage with the labour market and to get jobs.

Mr Carters—There are issues about a preparedness to test the labour markets as well. A parent who has been out of the labour market for, let us say, at least eight years could undertake work experience and that could be at least as valuable as some training. That work experience could lead to on-the-job training et cetera as a process. Many employers will argue long and hard that it is not the technical skills which they are necessarily after, it is the skills where people are prepared to have a go—team work, communication skills and those sorts of things—that they most value. So they are very prepared to train people on the job once they demonstrate those basic skills and demonstrate their employability.

Senator SIEWERT—I am not saying any of that is not valuable. There is still going to be a group of people who will want to do that initial study, particularly those who have been out of the work force for a long time. The question still stands: why can't we look at PES—call it that or call it something else—to top them up while they are doing it?

Mr Carters—Again, we have heard that. It is a government policy call. We cannot say anything more.

Senator MOORE—You are unaware of any particular study or consideration into that area but you are going to follow up with FaCS for me to see whether they did anything before it was transferred across to DEWR.

Mr Sandison—In relation to PES and outcomes in terms of employment and so on.

Senator MOORE—It would be useful to see whether there has been any kind of research done officially on that.

Senator SIEWERT—In terms of the transition group, if I have a child under six I am obviously on PPS to start off with. If my child is just about to turn eight, if I start now, do I still count in the transition group, so my PES will continue while I finish?

Dr Morehead—Yes.

Senator SIEWERT—Even though I am not one of the group now?

Dr Morehead—Yes.

Senator FIELDING—On the personal support program and those who have received Newstart allowance instead of other payments as a result of the Welfare to Work legislation, has the department estimated how many will be referred to the personal support program once they enter the compliance system?

Mr Carters—We have estimates of how many people will need the personal support program, yes.

Senator FIELDING—What are those numbers?

Mr Sandison—I would have to get you the numbers for PSP growth. There is a set of new growth places across three years. It is not linked directly to the compliance program; it is linked to the assessment process by the comprehensive work capacity assessors. It is one of the potential outcomes—disability specialist services, vocational rehab, personnel support and Job Network. So where they have the multiple barriers and meet the requirements, we made some estimates and there was funding for additional places in PSP.

Senator FIELDING—Do you have those numbers?

Mr Sandison—Yes, I can get those for you.

Senator McLUCAS—I was waiting for answers from the department on three issues that I raised this morning. The first one was the job seeker classification instrument issue.

Mr Carters—Basically, you firstly asked what scores people needed to be classified as highly disadvantaged. The answer is that the benchmark level there has been raised from 23 points to 25 points.

Senator McLUCAS—In the legislation it talks about the tables. Are they the impairment tables?

Mr Carters—The impairment tables are in the legislation but that is not to do with the job seeker classification instrument. Something we should probably clarify for everybody is that the job seeker classification instrument is one instrument to help classify people and decide what service they go to, but many people do not need that service. For example, many people with disabilities will go to the comprehensive work capacity assessment, and that will assess them much more comprehensively and decide whether or not they need a special service such as disability open employment services, vocational rehabilitation or a personal support program et cetera. The JSCI is only a small part of that assessment, particularly for those who have more specialist needs.

Senator McLUCAS—The rating has moved from 23 to 25. Historically, what numbers of people would have been in that group? That is the question I asked you this morning. What numbers of people are affected by the move of the assessment of highly disadvantaged from 23 to 25?

Mr Carters—My understanding is that a figure of 14,000 people has been mentioned.

Senator McLUCAS—So 14,000 people will now not be deemed highly disadvantaged and therefore not get the intensive support.

Mr Carters—That is not the new group; this is in total for people on Newstart et cetera that are flowing into Job Network.

Senator McLUCAS—Explain that again for me, please.

Mr Carters—The figure of 14,000 is not people with disabilities and parents. This was a separate decision from the Welfare to Work package, if you like, that essentially determined that, for the general flow of people into Job Network, the score for highly disadvantaged would increase from 23 to 25. It was not part of the Welfare to Work package. What I am saying is that the figure of 14,000, the differential between the 23 and 25 scores, is a figure that relates to the whole of the Newstart population.

Senator McLUCAS—Yes, so that group of 14,000 people who are, I understand, currently on the books are the people who would now not get the intensive support?

Mr Carters—Again, that was an estimate. The reality is that you really cannot tell until they go through the instrument.

Senator McLUCAS—Yes, that is for the future. But currently we are talking about 14,000 people?

Mr Carters—As an estimate, yes.

Senator MOORE—If you did a snapshot six months ago of everybody who was on Newstart and their current assessments, is there any idea how many then would have got a score of 23 and how many would have got 25? Can we get that?

Mr Carters—That was the 14,000 estimate.

Senator MOORE—So that was actually a snapshot? It was not an estimate; it was actually a snapshot of the current population?

Mr Carters—The estimate would have been based on—

Senator MOORE—The population at a certain time?

Mr Carters—Yes, the population at the time.

Senator MOORE—So it was a figure at a certain time of everybody who was assessed?

Mr Carters—Yes.

Senator McLUCAS—Question 6, which was on notice from Monday, was quite specific: did the government do any research on the impact of lower income support payments on people getting work? The answer does not address that.

Mr Carters—I have some more information on that.

CHAIR—Mr Carters, can I ask you to table that information? Senator McLucas can have that in the form it is in there, assuming you are happy that it be tabled. Can it be tabled?

Mr Carters—Yes, this can be tabled. This just talks about international studies which we have drawn on to demonstrate that there is a link between lower income support payments and the propensity to increase people's labour supply, basically. That is what these talk about.

Senator McLUCAS—Thank you. The third issue was the question of where in the legislation it says that a person who was deemed as being not capable of working 15 hours a week after two years—

Mr Carters—We will table that as well. It is on page 21.

Senator McLUCAS—Yes, I have page 21 open in front of me.

Mr Sandison—It is in clause 94A.

Senator McLUCAS—I am sorry; other people who have read that do not read it in the same way. I would like an indication of where it says that a person will automatically go onto DSP after two years.

Mr Sandison—The link is to the administration act in the section concerning transfers between payments. In the interests of time, we will get a further explanation beyond the link that is here—

Senator MOORE—That would be great.

Mr Sandison—and show how it links to others so that the thread can be followed.

Senator McLUCAS—That would be helpful. Please make it as clear as possible because it is an issue of contention. The second part of the question is: for that two-year period before the second comprehensive work assessment test, is the person on the dole or DSP?

Mr Sandison—They are a Newstart recipient.

Senator McLUCAS—So for two years they do not get training and they cannot get training; they stay on the dole and then they have another test?

Mr Carters—It is not clear that they cannot and do not get training.

Senator McLUCAS—No, in the circumstance where—

Mr Carters—It is a hypothetical.

Senator McLUCAS—It is—that is right. That is what the cameo was about.

CHAIR—We are now branching into other questions, Senator. I think you have had the answer provided.

Senator McLUCAS—Yes—they are on the dole for two years.

Senator ADAMS—I have two issues of clarification from the Women's Electoral Lobby presentation. They claimed that a parent could be compelled to undertake shift work regardless of whether they can access appropriate child care. Can I have an answer on that?

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

Senator ADAMS—That is good. The second issue is that they claimed that getting a job is probably going to cost them as much as they will earn by the time they get to wherever they are going to work. Are their safeguards to ensure that this does not happen?

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

Senator SIEWERT—Does that include the criteria for what counts as low?

Mr Carters—Yes.

Senator SIEWERT—But you do not know that yet?

Mr Carters—No, that is still being developed.

Senator MOORE—I have a question that can be put on notice.

CHAIR—Put it on notice. The point is that the coalition senators have not had any time at all so far and we are almost out of time.

Senator MOORE—We accept that.

CHAIR—You can have one question.

Senator MOORE—I know you have read in detail all the submissions that have come through to this inquiry and, considering the consultative process which we have had spelled out to us, I want to know whether anything in the submissions came as a surprise to the department. When you looked at them all, and the kind of comments that were made, I would like to know from the department's point of view whether anything was surprising or outstanding in the process that you had not heard before or did not understand.

Mr Carters—I will take that on notice.

Senator FIELDING—I have a follow up to the government's question. If a single parent is offered a job at 2 am to 7 am five days a week with child care available, are you saying that if the person knocked that back then they would be in breach of the guidelines?

Mr Carters—The child care for hours such as those would need to have been approved by the parent themselves.

Senator FIELDING—If they can, I am saying do you think it is healthy to raise a child whilst working between 2 am and 7 am even if they could get child care?

CHAIR—Sorry, Senator, that is not a question to take on notice. That is a statement more than anything else, with respect.

Senator FIELDING—No. It is a question about some of the guidelines that you were mentioning before about if there was not child care available. I am saying that if there was child care available and the job is offered for Monday to Friday from 2 am to 7 am and a single parent on Newstart knocked that job back, would that be a breach?

Mr Carters—As I said, that decision is up to the parent themselves, so in those sorts of hours it is really a voluntary call by the parent. It is not something that the government would dictate that they had to do.

Senator FIELDING—But if the parent felt that they could not effectively parent, there was no-one else, and there were child care arrangements available—it is not an issue about child care—and they knocked back a job from 2 am to 7 am—

CHAIR—Senator, you asked question and it has been taken on notice. They will have to provide an answer as best as they can. Can I go on to the question of what other requirements might be placed on a person with work force participation requirements with respect to such things as, for example, as has been postulated in questions, the requirement to take medication or to diet. First of all, is it possible under the present guidelines for those sort of requirements to be placed on a person who is job seeking?

Mr Carters—Yes, under the legislation it is technically possible for that to happen now. The reality is that it does not happen now. There is sufficient flexibility in the legislation to construe that that could be required in a very extreme sense, so in fact in the new legislation the same considerations would be taken into account and, again, realistically speaking, it is not something which would be required.

CHAIR—So nothing changes in the package with respect to that matter.

Mr Carters—Section 606E of the current legislation talks about ‘measures designed to eliminate or reduce any disadvantage the person has in the labour market.’ That could be interpreted very broadly.

CHAIR—The Welfare Rights Network has claimed that, due to the rapid connect process, job seekers will have to engage and have full participation requirements before they can receive any income support. Is that so? Can you explain how that would work?

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

CHAIR—ACOSS have claimed that employment assistance in the package is inadequately funded. Could you provide the amount that Job Network actually funded last financial year and the increase in funding to Job Network and other employment services through the Welfare to Work package?

Mr Sandison—I do not have the full break-up. The disability related programs are approximately \$550 million. From the budget figures, we can get the number of places and the dollar value overall of the package in terms of services and provide that to the committee this afternoon.

CHAIR—ACOSS also claimed that there is no protection for large families, families of four or more children. I think that automatically exempts them from a requirement to participate. What level of income above Newstart would a family with, say, four children be receiving from things like family tax benefit?

Dr Morehead—It would be a minimum of \$1,137 a fortnight if all the children are under 13. If any are over 13, it would increase and, in addition to that, they get a large family supplement of around \$613 as a payment each year.

CHAIR—But it is true that there is no automatic exemption from participation for a large family. Is that the case?

Dr Morehead—Large families, as mentioned in the explanatory memorandum, will be one of the classes of people eligible to claim an exemption of up to 12 months at a time. That would be considered on a case-by-case basis.

CHAIR—So what sort of circumstances might exist that would require a large family to participate?

Dr Morehead—If the children were towards the upper end of the age groups and coping fine at school and not requiring a lot of care and attention from the parent over and above what those children would normally require—it would be things like that. It would be on an individual case-by-case basis. Obviously, if the parent had twins or children clustered at the very lower end of the age range, that would be taken into account.

CHAIR—There was also a suggestion from ACOSS that the 700,000 people on DSP—and this obviously includes those who will remain on DSP and those who will be shifted to Newstart—will not get any support to find employment. What sorts of services are available, particularly for those who remain on DSP?

Mr Sandison—Part of that was included in the issues we raised this morning. Examples are the significant increase to the workplace modification scheme that has been provided and the change to the legislation that we talked about—two of the primary barrier areas. But, equally, there are the existing places in Disability Open Employment Services. People on DSP quite often need ongoing support in looking for work. There is a mix.

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

So it is a spread of different services. There is a change to the legislation about the safety net for people to go and try employment—in particular, the workplace modification scheme. We are also in the process of developing a job accommodation network site. It is a one-stop information source—with a phone line as well as a web site—modelled on an American site. This will allow employers, individuals and potentially employment service providers to go to one point, as a single point of expertise, about employment issues relating to people with disabilities. The human rights commission has been a strong advocate of that activity. It was announced in the budget before the human rights commission came out in support of that.

CHAIR—With the places that are available to people moving onto Newstart and to people who are not, there is no sense of prioritisation or quarantine of a certain number of places for people in transition or leftover places available to those that remain. Is there any sort of apportionment that goes on there?

Mr Sandison—There is a slight split. They are uncapped places. So it is a demand driven system for those people who will have partial capacity requirements. The 15- to 29-hour group—those people who have a 15- to 29-hour capacity—will move onto Newstart and will get demand driven places. If a decision is made that they need a service, that is demand driven. Job Network is already demand driven. But for the first time we will have vocational rehabilitation and disability open employment places that are demand driven for that group. The remaining places that are already there, the capped places, will be available for the volunteer job seekers who will come through from the DSP site.

CHAIR—A number of issues have been raised with the committee about the sort of behaviour that might lead to breaching and the extent to which these things are supposedly not taken into account or will be taken into account in the guidelines. For example, it was suggested that a parent who had a child with behavioural problems that led to truancy and so on is the sort of thing that falls outside the guidelines and, therefore, would not allow a person to get some sort of exemption from being breached. Is that a fair comment?

Mr Sandison—I think in those circumstances that the individual circumstances always get taken into account. The explanation provided by the parent in that circumstance might well be explained by their saying: ‘I couldn’t attend a meeting at the Job Network. I was off looking after my children.’ That is the sort of explanation that can be provided to ensure a participation report is not submitted.

CHAIR—The strength of a discretionary arrangement is whether anything appears to be reasonable and adds up as a basis for not being breached?

Mr Sandison—That is correct. This morning Mr Carters mentioned the issue that, if a participation report is not submitted but the Job Network member or employment service provider submits a reason why one was not submitted, that information would be sent through, rather than having an actual participation report. At any stage in the process, if that information had not been made clear to the employment service provider but did get made clear to Centrelink later on then Centrelink can make the decision that the participation report goes no further.

CHAIR—The National Welfare Rights Network made the claim that, if a person is satisfying their activity agreement of 15 hours a week of job search activity, they also have an obligation to undertake a further 10 hours of other activity or 150 hours over 26 weeks of mutual obligation type activity. Is that correct?

Mr Carters—That is definitely not correct. I probably explained that fairly well already, but essentially as soon as anybody is undertaking 15 hours work that is the end of any requirements, and as long as they keep participating in that there is absolutely no requirement to undertake any more hours of work. As I also mentioned, if they are just doing, say, six hours of work a week building up to the 15, the fact that they are doing those six hours meets

their mutual obligations, so they would not have to then do the 150 hours; they would just have to do the job search to find the extras.

Senator MOORE—What are the administration—

Mr Carters—That is part of the conditions for mutual obligation and the activities that satisfy mutual obligation, which are not separately listed in the legislation, but they have been around for a long time.

Senator MOORE—This being an entirely new arrangement we are going into, it would be useful if that were clearly spelled out somewhere, because I could not find it in the legislation. It is not because it is pre-existing. I think it is a very confusing area. It would be useful if somewhere the answer to that question were clearly spelt out so that people were not under any misapprehension about that.

Mr Carters—That will certainly be clearly spelt out in the guidelines.

CHAIR—Going back to the issue of what might constitute reasonable compliance, ACOSS have also pointed out that the ‘reasonable steps to comply’ test has been removed from the legislation and has been placed with a ‘you must comply’ type test, with no ifs or buts. Can you explain what will happen if a person needs to apply for an exemption or for consideration of this kind? Is the placement of the test outside the legislation? Does it indicate anything about the way in which the test will be employed and how generously it will be applied?

Mr Carters—Again, it comes back down to the reasonableness of the activities which are required to be undertaken and the job seeker having a reasonable excuse for not undertaking them if they signed up to them but did not undertake them. That reasonableness of activities et cetera is still reflected in the legislation, and in that sense the negotiation of the activity agreement would still hold. As long as the activities in that were reasonable, there would be an expectation that the job seeker would undertake them. If the job seeker could demonstrate that they were not reasonable then they would not have to undertake them.

CHAIR—The lowering of the taper rate will benefit people coming onto Newstart under the new arrangements, but does it benefit those already there?

Mr Carters—Very much so. There are many existing Newstart clients who will benefit, potentially significantly, from those taper rate changes. Essentially, they will get to keep the first \$62 a fortnight but then they will have a 50c in the dollar taper rate that will run right out to \$250 a fortnight of earnings, whereas now it sits at \$142 a fortnight. Beyond that, their maximum loss will be 60c in the dollar, instead of the present 70 cents in the dollar. So there will be significant advantages and they will be able to keep much more of the income that they earn from work.

CHAIR—We have run out of time.

Senator MOORE—I have three questions on notice, which I will pass to the witnesses. We have heard a lot, Mr Carters, about what is going to be in the guidelines. Can we get a list of what will be covered in the guidelines?

Mr Carters—Yes.

Senator MOORE—Can we get a copy of the Australians Working Together evaluation report?

Mr Carters—Yes, that is publicly available.

Senator MOORE—I have already had some copies but I just want to see it so that I can compare some stuff in it. My last question, one I always ask in these cases, concerns the evaluation strategy for this particular process. Can we get some idea about what kind of evaluation process will be put in place for this and what kind of data will be collected through that process? We have not got that anywhere yet.

Mr Carters—Yes, but that is still in the early stages, so as it develops—

Senator MOORE—Even a preliminary bit, at this stage, would be appreciated because I think that with any major budget change we like to know what the evaluation structure will be. I know that it will evolve, but I would like to get from you now, at this stage of the implementation, what your proposal is for evaluation.

Mr Carters—Yes, we will give you the initial thoughts on that.

Senator MOORE—Lovely. Thank you.

CHAIR—Thank you very much indeed. You have been in front of us for longer than any other witnesses, so I want to thank you for the time you have spent with us. I realise you still have a fair number of questions on notice to produce for us. We obviously would appreciate the greatest expedition in getting those answers to us and we look forward to seeing those. Thank you very much indeed for your time with the committee.

That concludes the public hearings of the inquiry. The members of the committee will now have a private meeting to discuss the production of the report. Thank you to the secretariat and to *Hansard* for their assistance today, and thank you to witnesses.

Committee adjourned at 4.17 pm