



## **Catholic Social Justice Commission**

**Archdiocese of Canberra & Goulburn**

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### **Senate Education, Employment and Workplace Relations References Committee**

#### **Inquiry into the adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market**

#### **Submission by the Catholic Social Justice Commission of the Archdiocese of Canberra & Goulburn**

The Catholic Social Justice Commission (CSJC) welcomes this inquiry. Rates of Newstart allowance (NSA) have, for some years, been falling further and further behind those of other categories of income support. The CSJC considers that the time has come to redress the situation.

The Committee will be well aware of the pension increases that came into effect in 2009. They followed an extensive review, led by Dr Jeff Harmer, into the issue.

NSA rates did not change. *They remain well below even the superseded pension rates that were, quite rightly, considered to be manifestly inadequate.*

This is surely unfair:

- NSA recipients face the same day-to-day living costs as do pensioners
- For the most part they do not receive anything like the same level of concessions that pensioners enjoy
- They generally incur higher housing costs, whether paying a mortgage or renting
- They have to meet the costs of looking for work.

It can be argued that a low rate of NSA is justifiable in the early stages of unemployment. The CSJC does not support this view.

It is true that in this phase some unemployed people may have some capital as a result of recent work and may have good prospects of an early return to full-time work. It is also true, however, that many people who start receiving NSA have very limited resources. In any event the means test – not the rates structure – is the appropriate instrument for rationing NSA.

The CSJC is particularly concerned about the effects of the Welfare to Work package, which has been in operation since July 2006. Welfare to Work severely cut social security payments for two groups of people: first, for people with disabilities who have significant capacity for part-time work; second, for sole parents with older children. It also tightened the means tests for these groups, a strange decision given that the central objective of Welfare to Work is to encourage their participation in the labour force. The two groups affected now receive NSA.

In the case of people with disabilities affected by Welfare to Work, they are by definition unable to work full-time yet are treated for rates purposes as if they can. Most of them will in fact be on

a relatively low income most of the time. Their harsh treatment in the NSA system sits uneasily alongside the high level of community support for people with disabilities, as demonstrated by the response to the proposed introduction of a national disability insurance scheme.

The position of sole parents is less clear-cut. One can at least say, however, that having sole care of an older child or children represents a greater barrier to work participation than other groups face.

Information on whether Welfare to Work has succeeded in creating stronger incentives to work is difficult to come by. The CSJC sought information through relevant ministers, but after protracted correspondence was able to obtain only limited data.

Centrelink data for June 2010 – the latest seen by the CSJC – suggest that only 13 per cent of NSA recipients with a disability who have work capacity of 15 to 29 hours a week earn enough to reduce their NSA below the maximum rate. The figures for sole parents on NSA were about 21 per cent, more akin to those for other groups but still less than for the NSA population as a whole.

The CSJC supports policies that encourage and facilitate greater workforce participation by people with disabilities and sole parents. It is not opposed to requiring these groups to look for work that is within their capacity. What the CSJC finds problematic is the application of a benefits structure that does not reflect economic and labour-market realities.

These arrangements should be reviewed. The CSJC considers that the pension structure of rates and means tests should be applied to unemployed people, and recommends that at the very least:

- The pension structure of rates and means tests be restored for people with disabilities able to work 15 to 29 hours a week
- A similar change be made for sole parents affected by Welfare to Work.

It follows, of course, that the CSJC also supports a return to parity between rates of pension and parenting payment single.

Another approach might be to maintain the existing NSA structure for people who have been unemployed for less than six of the previous 12 months while applying pension rates and conditions to other unemployed people. This would protect the long-term unemployed from chronic hardship while minimising budgetary costs to the Commonwealth and the incentive to extend unemployment to qualify for the higher rate.

In making these proposals, the CSJC is very conscious of the financial demands faced by the Commonwealth. The CSJC's proposals are, however, modest and meet a pressing need.

There is scope for cuts elsewhere to pay for these changes. One particular area is the generosity of the tax concessions for superannuation – there have been some modest reductions, but the provisions remain very liberal and favour people at the high end of the income scale. The CSJC is conscious of the need for stability in superannuation, but notes that restrictions have been introduced in recent budgets without significant disruption.

The CSJC would be happy to discuss this submission with the Committee. Thank you for the opportunity to contribute to the inquiry process.