



Australian Government

**GOVERNMENT RESPONSE TO:
SENATE COMMUNITY AFFAIRS REFERENCES COMMITTEE
REPORT ON POVERTY AND FINANCIAL HARDSHIP**

“A HAND UP NOT A HAND OUT: RENEWING THE FIGHT AGAINST POVERTY”

December 2005

INTRODUCTION

This Government has demonstrated a long and ongoing commitment to improving the well-being of all Australians. The Government is also committed to an Australian community that supports fairness, opportunity and reward for effort. Therefore, the inquiry by the Senate Community Affairs References Committee into Poverty and Financial Hardship was of particular interest to the Government.

In responding to the report of the Committee, the Government acknowledges the significant contribution made by community organisations and individuals in the preparation of the more than 250 submissions provided to the Committee and in appearing as witnesses.

The Government recognises the underlying concern for the well-being of Australians that motivated these submissions and values the significant contribution made by many of the organisations in delivering services and support to those Australians who are vulnerable and facing hardship.

The Committee's report comprised a majority report by Senators Hutchins, Lees, McLucas and Moore and a minority report by Senators Knowles and Humphries. In accordance with the Senate's resolution, this response addresses the findings of both these reports. The two reports draw significantly different conclusions from the evidence presented to the Committee.

The minority report of the Committee commences by noting that its members had no option but to view the majority report and its recommendations "not as a serious attempt to enhance existing successful strategies but rather a shallow, naïve and purely political attempt to condemn the government of the day. This is a sad outcome for those for whom this inquiry was initiated" (page 444).

The Government agrees with these sentiments and is disappointed with the way that the majority members failed to make any attempt to work with the minority members of the Committee to develop a bipartisan approach to the important questions being considered by the Committee.

The Government's disappointment with the approach of the majority members to the drafting of the report has been compounded by the nature of the majority members' recommendations. The Government considers that the diverse and numerous recommendations included in the majority report represent a grab bag of ideas that lack any cohesiveness or coherence. In many cases the majority report recommends significant increases in expenditure without attempting to demonstrate how these proposals would actually help those in the community who were the focus of this report, and without costing the proposals or identifying how they could be funded.

This approach by the majority devalues all the hard work and thought that went into the drafting of the submissions provided to the Committee.

Many of the recommendations would involve policies that, if implemented, could only be funded by major tax increases, by major reductions in expenditure on other Commonwealth programs or by unsustainable budget deficits.

The majority members' recommendations revolve around policies that have not worked in the past, rather than proposing policies that would actually assist those in need. Even where the majority members identify a goal for a policy, the report produces little, if any, evidence that the policy will in fact assist in achieving that goal.

By basing their recommendations on unsuccessful policies, the recommendations of the majority members unreasonably raise community expectations – both that such programs are feasible, and that they would have the impact the majority report implies they will.

The Government's response to the report of the Committee comprises three sections:

- The Government's commitment to building a strong and resilient economy which will continue to deliver increased levels of well-being across our society and opportunities for all Australians to contribute to and benefit from this; and a sustainable welfare system which both supports this and secures these gains in the face of demographic change;
- An overview of the Government's policies to address the issues identified in the reports, highlighting the Government's achievements to date, and its commitment to continue addressing social disadvantage; and
- The Government's responses to the recommendations of the majority and minority reports.

Attachment A to this response provides a detailed review of the analysis presented in the majority report. It demonstrates that the case presented by the majority members of the Committee is both faulty and misleading. **Attachment B** provides more details of Indigenous policies and programs as these represent a critical element of the Government's strategy to address disadvantage.

The Government's achievements and commitment to addressing social disadvantage

This Government has a strong record on and commitment to improving the well-being of all Australians and to addressing social disadvantage by assisting and supporting people in establishing their own goals, making their choices, accepting responsibility and taking advantage of opportunities.

The Government has an important responsibility to provide an environment where people can both make and take these opportunities. This responsibility is complemented by an important and ongoing role, which the Government shares with other governments and the community, in providing assistance to those facing hardship and disadvantage. This is undertaken within the framework of an equitable understanding of the obligations of all members of the community. In supporting choice and opportunity, it is not our role to tell people how to live their lives, nor can governments guarantee outcomes.

A job is not only fundamental to an individual's ability to generate well-being for themselves and their family, but is also the best form of protection against hardship and disadvantage. The most positive step that can be taken to enable people to get jobs and alleviate hardship and disadvantage is to maximise the sustainable rate of economic and employment growth and to provide opportunities to participate in the benefits of this growth. Social welfare is generated by a strong and growing economy.

This is best achieved by:

- Macro-economic policies consistent with low inflation and interest rates;
- Micro-economic policies that reduce structural unemployment and generate the productivity growth essential to underpinning higher living standards;
- Workplace relations policies conducive to sustainable employment growth through the development of a more productive and flexible workforce;

- Policies in areas such as taxation, social welfare, mutual obligation, industry and small business entrepreneurship, education and training and employment assistance; and
- Increasing participation in the workforce through appropriate incentives for work, education and training whilst ensuring an appropriate balance between incentives, assistance and obligations.

The success of the Government to date is clear. Australia has been one of the world's best performing developed economies with annual average GDP growth since the March quarter 1996 of 3.6 per cent – amongst the highest of countries in the OECD. The Australian Economy is now in its 15th consecutive year of growth and the 2005–06 Budget projections were for solid Gross Domestic Product (GDP) growth to continue, at 3 per cent in 2005–2006 and growth of 3.5 per cent in 2006–07 and 2007–08.

This economic growth has delivered:

- Almost 1.7 million new jobs have been created between March 1996 and June 2005¹. An additional 807,000 men and 887,300 women have jobs today, an increase of over 20 per cent in the number of working Australians. More than half these new jobs are full-time;
- An unemployment rate in June 2005 of 5.0 per cent. This is the lowest rate of unemployment recorded in Australia since November 1976, that is, the lowest for more than 28 years; and
 - A more than halving of long-term unemployment, and a reduction of 72.2 per cent on its peak under Labor;
- Strong earnings and income growth as real earnings reflect higher productivity, as support for families has increased, and as taxation is less intrusive;
 - Average full-time adult total earnings have increased, to February 2005, by 19.5 per cent in real terms, that is after taking account of changes in prices;
 - The incomes of families with children have been further boosted by the Government's increased levels of support to families; and
 - ABS reports that the real average equivalised incomes of low-income households increased by 11.6 per cent between 1995–96 and 2002–03.

Continuing reforms are essential to ensure that these gains are maximised, and that as a nation Australia can address future challenges, including responding to demographic change. The comprehensive 'Welfare to Work' package introduced in the 2005–06 Budget along with ongoing workplace reform is critical to creating a sustainable economy and welfare system for the future. These reforms tackle the goals of lifting workforce participation and reducing welfare dependency while maintaining a strong safety net for those who need it.

They are reforms that both complement, and are complemented by, our other initiatives including: support for families; our commitment to improving education and training; labour market reforms and support for older Australians.

While achieving higher levels of economic participation is fundamental to improving and extending well-being, the Government recognises that an effective social safety net is important for those unable to work, and those who have retired after spending their lives in the workforce and raising families. Our commitment to the safety-net is clearly demonstrated by our decision, for the first time in Australia, to legislatively commit to maintaining the pension at 25 per cent of Male Total Average Weekly Earnings. This means that Australian pensioners – in particular,

aged pensioners – have had their pensions adjusted not only for increases in costs, but in line with the improvements in living standards enjoyed by those in work.

POLICIES FOR THE FUTURE

While the majority members of the Committee looked to the past, this Government has been working to implement the policies this nation needs for the future.

The Government's 2005–06 Budget is built around shaping a sustainable future by maintaining strong productivity growth, increasing labour force participation and adopting policies which continue to address future budgetary pressures.

It was a budget that continues to demonstrate the Government's commitment to taxation reform, to support for families and to the development of a more sustainable welfare system.

It builds upon the Treasurer's consultation paper *Australia's Demographic Challenges* prepared in response to the findings of the Government's 2002 Intergenerational Report. This report concluded that, as a consequence of the expected increases in expenditures on health, aged care, education, pensions and other areas associated with the forecast structural changes in Australia's population, government expenditures are projected to exceed revenues by 5 per cent of GDP by 2041–42.

Although the implications of this finding were recognised in the discussions of the minority report, this does not appear to have been an issue considered by other members in their preparation of the majority report. This is of concern, not just because of the challenge of meeting future demands on Government resources to meet the needs of an ageing population, but also because these requirements represent a real constraint on what government can do in other areas. Similarly lacking in the majority members' report was any coherent approach to tackling welfare dependency, or to addressing the importance of flexible workplace relations to maximising employment growth and employment opportunities and to maintaining and improving our standard of living.

'Welfare to Work' – Building a sustainable Welfare System

An ongoing focus of the Government is to increase labour force participation and reduce reliance on income support among working age people. It is essential that all people of working age are given the maximum encouragement to increase self-reliance in accordance with their capacity and to reduce their welfare dependency. This means not just expecting people on unemployment benefits to move from welfare to work but expanding the focus to all people of working age who are on income support and who have some capacity to work, including sole parents and people with disabilities.

Supporting and encouraging people to move from welfare to work involves providing the right balance of incentives, participation requirements and assistance. Providing the right incentives means ensuring there are immediate financial returns from moving from welfare to work, while participation requirements encourage people to undertake activities that will enable them to find work. Employment assistance needs to provide the right help for people in getting sustainable employment.

The Government's 'Welfare to Work' package announced in the 2005–06 Budget invests \$3.6 billion to increase workforce participation of parents, mature age people, people with a disability and very long term unemployed people. The reforms introduce new requirements, supported by increased investment in employment assistance, training, rehabilitation and other

support programs, as well as changes to payment arrangements. These important reforms will provide clear incentives for people of working age to move from welfare to work, including new and expanded services to help people into employment.

The reforms seek to change the focus of people's work capacity to look at what they can do rather than what they cannot do. Of the 2.6 million working age people currently receiving income support, only around one in six have job search requirements, and only around one in ten parents in jobless families are required to look for work as a condition of their payment.

Improved participation not only offers these individuals and families improved levels of well-being while they are of working age, but also, through enhanced retirement savings, helps them to retain those improved levels of well-being in retirement. Earlier participation in the workforce by parents with children can also assist with their on-going participation after their children grow up and are no longer dependent.

Parents' employment is not just important to enable families to achieve an improved standard of living but also for the many other benefits it provides – to their own self-esteem and for the future prospects of their children. This can be seen clearly in the initial results of research using the Longitudinal Survey of Australian Children that is being conducted by the Australian Institute of Family Studies for the Australian Government.

In this survey parents reported positively on the role of employment in their lives and that of their families:

- 70 per cent of parents agreed that work made them feel more competent;
- 84 per cent considered that their working had either a positive or a neutral effect on their children; and
- Most disagreed with a statement that family time was less enjoyable because of work.

The 'Welfare to Work' package provides financial incentives to work, particularly incentives that encourage parents and people with disabilities to work part time. This includes a new, generous income test and taper rate for Newstart Allowance to help income support recipients keep more of their income from working.

The package introduces changes to income support arrangements to reflect the increased requirements for parents and people with disabilities to seek work. However, the measures ensure that people of working age continue to receive important benefits that assist in overcoming financial hardship and disadvantage. People with a disability and single parents who receive the new enhanced Newstart Allowance will maintain eligibility for the Pensioner Concession Card.

A New Workplace Relations System

Productivity growth is central to Australia's future well-being because it ensures increasing real wages, while at the same time keeping inflation and interest rates low and employment growth strong.

The workplace relations system plays a very important role in improving the productive performance of Australian enterprises. The Workplace Relations Act 1996 ('the WR Act') provided a framework for cooperative workplace relations, giving primary responsibility for determining matters affecting the employment relationship to the employer and employee at the enterprise level. Enterprise bargaining has provided workers and employers with greater flexibility in negotiating working conditions and has helped to ensure that wage rises are

underpinned by productivity improvements. This is important for Australian business to operate competitively in global markets.

The end result is strong, sustainable wage increases closely linked to productivity improvements at the workplace level. The vast majority of employees now rely on formal and informal workplace agreements for their pay setting, with only 20 per cent of Australian employees reliant on awards in May 2004. Australian companies with enterprise agreements have achieved high productivity and growth rates, and there is evidence to suggest that the adoption of workplace bargaining contributed to productivity growth in the 1990s^{2,3,4}. Australia's productivity growth has increased markedly over the last nine years from both historical and international perspectives.

The importance of these policies has been highlighted by the OECD⁵, which reported that:

- “The resilience of the [Australian] economy to shocks has been improved by reforms which have made the labour market more adaptable to rapid changes in the economic environment and has permitted the economy to work closer to potential over time as a result”; and
- “The move to decentralised bargaining was underpinned by fundamental changes to the former exceptionally rigid and legalistic award system. Less adversarial labour relations and greater labour flexibility are likely to have ... contributed to the observed acceleration in productivity in Australia over the past ten years or so”.⁶

There is a strong contrast between the recommendations of the majority of the Committee and the policies that are needed to support participation and improved outcomes. The majority of the Committee was firmly wedded to the concept that all Australians want a full-time job – with those jobs provided under a ‘one size fits all’ industrial relations system. It is clear, however, that this does not reflect the diversity of choices Australians want. Many Australians, particularly working mothers and full-time students, prefer casual and/or part-time employment because of the flexibility it offers.

Casual and part-time employment also provides an important first rung on the employment ladder for the long term unemployed, the low skilled and people who have experienced disadvantage. The Australian Bureau of Statistics (ABS) February 2004 Labour Mobility Survey found that, of those persons who had changed their employment status during the year, 61.0 per cent had made the transition from part-time work to full-time work. In addition, casual employees receive a loading, commonly between 20 and 30 per cent, to compensate them for not receiving paid leave entitlements.

The WR Act provides employers and employees with choices encompassing all forms of employment, including greater access to regular part-time employment. The provisions are intended to encourage a more appropriate balance in the mix of employment types by providing employers and employees with improved access to their preferred arrangements by removing arbitrary restrictions.

The role that workplace reform has played in improving and sustaining our economic performance cannot be overstated. The workplace relations system is still complex, however, with bureaucratic rules and regulations, and there is scope for further improvements to simplify the system, making it even more flexible, accessible and effective.

The new reforms recently announced by the Government will further encourage negotiation of conditions of employment at the workplace through agreements, while retaining a genuine safety net. The new workplace relations system will contain a single set of rules for minimum terms, conditions, awards and agreements. Key planks of the new system are outlined below.

- The current adversarial process for setting minimum wages and conditions will be replaced by the Australian Fair Pay Commission (AFPC). This will establish a better balance between fair pay and employment, and ensure minimum wages operate as a genuine safety net for agreement making;
- Key minimum conditions of employment will be set out in legislation. These, together with the minimum wages set by the AFPC, will form the Australian Fair Pay and Conditions Standard. The Standard will provide genuine protection for all Australian workers and drive continued jobs growth through easier access to workplace bargaining;
- Agreement making will become streamlined, simpler and less costly, making it simpler to bargain at the workplace level;
- Further award simplification will ensure that awards provide a true safety net of minimum conditions, and a task force will be established to rationalise existing awards and award classification structures;
- The Government will create a national system for unfair dismissals, exempting businesses that employ up to 100 employees from unfair dismissal laws, and exempting small businesses from making redundancy payments. Employees will continue to be protected from dismissal on discriminatory grounds such as race, sex, and pregnancy; and
- The Government will work towards a more streamlined and efficient unified national workplace relations system.

The Government's proposed reforms will maximise economic growth and employment opportunities so as to maintain and improve our standard of living in the increasingly globalised economy. Importantly, they will create additional employment opportunities for unemployed Australians.

PROVIDING SUPPORT AND OPPORTUNITIES

These initiatives build upon the significant policies and programs that we have already put in place to provide support and opportunities to Australians, and address disadvantage. Key areas include:

- Support for Australian Families;
- Education and Training;
- Health;
- Employment services; and
- Homelessness.

Providing Support and Opportunities: Support for Families and children

The goal of assisting Australia's families and the children who live in them is at the heart of our social policies. Families are not only the single most important building block of social stability, but they also have the responsibility for the physical, moral and social development of Australia's children and as such play a critical role in determining the capacity of these children to take advantage of opportunities throughout their lives, and in building their resilience to factors and events which might otherwise lead to disadvantage and hardship.

Supporting families with children

Families are diverse with a wide variety of caring and working arrangements. This Government recognises that support to families must be sufficiently flexible to provide for that diversity.

Through substantial reform of the family payments system, the Government has provided greater assistance to families in a way that supports their choices about caring and work responsibilities. In July 2000, as part of *A New Tax System*, the Government introduced the Family Tax Benefit (FTB), which is structured to ensure substantial assistance for families when they need it, for example, when one parent is providing primary care for children, and also to ensure sufficient rewards from work for parents who combine family and work responsibilities. Each year FTB benefits around 2.1 million families with 4 million children. In all, since coming to office, the Government has increased total assistance to families by over \$6 billion a year.

Since 2000, the Government has built upon the FTB initiative to further enhance assistance to families. As part of the 2004–05 Budget, FTB Part A has been increased by \$600 a year, paid as a supplement at the end of the year. An increase in the rate of FTB Part B was brought forward to 1 January 2005. The loss of income that families can experience when a child is born was addressed with the introduction of a new Maternity Payment. The Maternity payment is currently \$3,079 and will increase to \$4,000 in July 2006 and to \$5,000 in July 2008.

The success of these changes has been illustrated by analysis undertaken by NATSEM⁷ that concluded: “The results presented here clearly show that average real incomes did rise between 1997–98 and 2004–05 for Australian families with children in the bottom income quintile”.

Specifically the study showed that:

- The average real disposable income for the poorest 20 per cent of families increased by 18.5 per cent from 1997–98 to 2004–05;
- This strong growth, which is similar to that experienced by middle income families, is attributed to the real increase in family payments provided by this Government; and
- The 2004 Budget changes alone raised the average income of the bottom 20 per cent of families by approximately 5 per cent.

In addition to increased assistance, the Government has improved rewards from work. Changes to the FTB Part A and Part B income tests ensure that rewards from work are improved with families now able to earn more before their family assistance payments are reduced. From July 2004, the withdrawal rate for the first FTB Part A taper and for Part B reduced from 30 per cent to 20 per cent, significantly reducing effective marginal tax rates. From 1 July 2006, around 400,000 families will receive an average increase of \$24 a fortnight as a result of an increase in the FTB Part A income free area, from \$33,361 as at 1 July 2005 to \$37,500. More generally, the ‘Welfare to Work’ package announced in the 2005–06 Budget provides support for Australians to make the move into employment. This will reduce the number of children who grow up in families where they do not have a parent in work, ensuring better outcomes for children and for the enhanced economic and emotional wellbeing of parents.

Separation and divorce can have significant financial and emotional impacts within families. In recognition of this, the Government will provide \$397.2 million over four years to implement a package of major reforms to the family law system including establishment of a national network of 65 Family Relationship Centres. These Family Relationship Centres will provide information, advice, referral and dispute resolution services to help prevent family separation, or help family members deal with separation. The reforms also aim to assist separated parents to develop

parenting agreements that promote the involvement of both parents in their children's lives, reduce the impact of parental conflict on children and reduce the emotional costs to families of separation.

Childcare

Childcare is an integral component of this Government's policies to support families and economic participation. The Government's support for parents to access childcare is important to allow parents to participate in the labour market, assist families to achieve a work and family balance, and provide opportunities for child development. In the six years to 2004–05, the Government has spent \$9.5 billion on child care, more than double the amount spent in Labor's last six years in office, and has further allocated some \$8.5 billion supporting child care to 2008–09.

With an increase in the number of places of over 80 per cent since 1996, across all service types, a record number of over 770,000 children now use professional childcare services. The introduction of Child Care Benefit in 2000 ensured that childcare became more affordable for parents.

This support for child care has also been significantly boosted through the 2004 election commitment of around \$1 billion to 2008–09 with the introduction of the 30 per cent Child Care Tax Rebate. The 2005–06 Budget included a further \$266 million over four years to provide an additional 87,800 child care places and additional fee assistance for 52,000 low income families to assist families with the transition from welfare to work.

Australia is a world leader in quality assurance for the child care industry and this is achieved by the Australian Government's significant investment in the delivery of quality assurance systems in Long Day Care, Family Day Care and Outside School Hours Care Services. The aim of quality assurance is to enable children in child care to have positive experiences, which foster all aspects of their development. The quality framework provides high quality benchmarks in Child Care Benefit approved services.

The National Childcare Accreditation Council is funded by the Australian Government (currently around \$10 million per year) to develop, implement and administer the three quality assurance systems in Australia. As well, the Australian Government funds professional support providers to assist services to implement quality assurance.

Early Childhood

In 2001, the Australian Government established an interdepartmental taskforce on early childhood to strengthen whole-of-government approaches to early childhood policy and programs. The National Agenda for Early Childhood is a key component of this work. This Agenda is a blueprint for future national investment in children's early years and, reflecting the aim of promoting collaboration across levels of government and with other key stakeholders, was developed with wide consultation. Four priority areas for action have been identified: healthy young families, early learning and care, supporting families and parenting, and child-friendly communities. The *Stronger Families and Communities Strategy 2004–2009* has a specific early childhood focus aligned with the National Agenda and represents a significant new commitment in this area – a clear demonstration of this Government's priorities.

Under the Strategy the Australian Government is allocating around \$490 million over the next five years for local initiatives that intervene early to help families, children and communities at risk.

To underpin this holistic approach to early childhood, the Government has funded two ground-breaking longitudinal studies of children to establish a comprehensive, contemporary and Australian understanding of the experiences and outcomes for children. The Government is also providing significant financial support to the Australian Research Alliance for Children and Youth to facilitate collaboration between research, policy and practice. These activities, and indeed much of the work on the National Agenda for Early Childhood, are important long-term investments – investments in policies and practices that seek to address problems at their roots – not just ‘Bandaids’ responses when the problems emerge.

A similar commitment to a long-term focus on child development has been demonstrated by the Government’s recent funding of a \$10 million chair in child protection at the University of South Australia.

While mainstream preschool education is the responsibility of State and Territory Governments, the Australian Government also plays an important role, principally in supporting the participation of Indigenous children in preschool education through the Indigenous Education Strategic Initiatives Programs for which \$11.4 million was provided in 2003.

Providing Support and Opportunities: Education and Training

Education and skill levels underpin the productivity of the Australian workforce, and the capacity of people to participate in a rapidly evolving workforce over their lifetime. Higher skills and educational levels help in the creation of knowledge, ideas and technological innovation. As the world around us continues to change rapidly, especially with technological change, efficient and effective post-compulsory education and training systems will become more important. Current and future workers will need to improve and continually update their skill levels. Poor educational achievements, on the other hand, are very strongly associated with lifetime disadvantage, including higher levels of hardship, and poorer health and other outcomes. Initiatives already taken by the Government have included testing and reporting of literacy and numeracy skills, improving the quality of teaching and moving towards a common national curriculum and starting age.

This Government recognises that access to education plays a critical role in addressing disadvantage. It is committed to quality schooling for all Australian students, regardless of the school they attend, with every child being given the chance to find and achieve their potential through choice and opportunity. This commitment is underpinned by a \$33 billion package for government and non-government schools across the nation to be provided over the 2005-08 quadrennium and supported by the Government’s national priorities in schooling that will require education authorities and schools to commit to:

- National consistency in schooling – with implementation by 2010 of a common school starting age and common testing standards in key subjects by 2008;
- Better reporting to parents with ‘plain English’ school reports, including an assessment of each child’s achievement reported against national standards, and relative to the child’s peer group;
- Making values a core part of schooling, including requiring schools to fly the Australian flag;
- Ensuring that information is available to parents about a school’s performance;
- Greater autonomy for school principals;

- Creating safer schools by implementing the National Safe Schools Framework in all schools; and
- A common commitment by schools to physical activity, with all primary and junior secondary students to participate in at least two hours of physical education each week.

The key program for supporting the most educationally disadvantaged school students is the Literacy, Numeracy and Special Learning Needs Program (LNSLN). Over the 2005–08 quadrennium, this program will provide an estimated \$2.1 billion to support the most educationally disadvantaged students. These include students from a low socio-economic background, those who face geographic isolation, students with a disability or learning difficulty, those with a language background other than English, and those with an Aboriginal or Torres Strait Islander heritage. The Schools Grants element of LNSLN will contribute over \$1.8 billion nationally over this period to government and non-government education authorities. This funding provides additional assistance for the most educationally disadvantaged students in schools.

The allocative mechanism for the Schools Grants element includes a socio-economic disadvantage component that is applied to 38% of funding. This mechanism examines the distribution of socio-economic disadvantage between Government, Catholic and Independent schools. The mechanism uses information from the Index of Relative Socio Economic Disadvantage, the Index of the ABS Socio-economic Indexes for Areas in conjunction with ABS Census school enrolment data. Allocations for each education authority are derived from calculations at the national level of the distribution of the 500,000 most disadvantaged students between sectors. The remaining portions of Schools Grants funding are allocated using a Language Background Other Than English mechanism, numbers of students with a disability in a sector and sector size.

In addition, the Government has in place programs designed to overcome particular barriers to learning such as the English as a Second Language Program, the Students with Learning Difficulties initiative and the Country Areas Program.

To improve the literacy and numeracy standards of all Australian children, and to strengthen the role of parents in their child's education, a national Tutorial Voucher Initiative has been introduced as a pilot program.

This Government has already had considerable success in expanding opportunities for young Australians and others to access further education and training through initiatives such as:

- The Career Planning Program, which assists parents returning to work and mature age workers to establish or redefine their employment, education and training goals and develop career management, research and decision making skills;
- The Increasing Vocational Learning Opportunities for Indigenous Students initiative is providing 2,300 Indigenous secondary school students with vocational learning opportunities based on local industry options; and
- The Vocational Education and Training (VET) Priority Places Program provides VET training places for people with a disability, parents returning to work and older workers. Funding for this program resulted from the State and Territory Governments' rejection of the 2004–2006 Australian National Training Authority Agreement and ceased to be separately available from 30 June 2005. These funds have now been rolled into the Australian Government's offer to the States and Territories for a new Commonwealth-State Training Funding Agreement for 2005–2008.

VET is an area of 'shared responsibility' arrangements for vocational education and training between the Australian Government and the States and Territories. Under these arrangements, the Australian Government contributes funds to State and Territory Governments (some \$1.15 billion in 2004–05) who, in turn, have responsibility for their training systems. This includes delivery of training for and to those who are disadvantaged. Initiatives include:

- *Australia's National Strategy for Vocational Education and Training 2004–2010*, which was agreed by Australian and State and Territory Government Ministers of training, aims to be inclusive of people facing barriers to learning due to age, unemployment, cost, disability, language, literacy and numeracy;
- A range of programs to assist disadvantaged groups in VET. This includes the New Apprenticeships Access Program, which aims to assist disadvantaged groups, who have barriers to employment, with pre-vocational training and other forms of assistance; and
- Clients with literacy and numeracy difficulties are assisted through the Language, Literacy and Numeracy Program, which assists job seekers with these difficulties to improve their literacy and numeracy skills.

In the 2005–06 financial year the Australian Government will spend a record \$2.5 billion on vocational and technical education, including an additional injection of over \$280.6 million for a suite of new initiatives designed to address skill needs, particularly in the traditional trades. The funding package for 2005–06 includes:

- \$120 million to extend entitlement to the Youth Allowance, Austudy and ABSTUDY to New Apprentices to ease the financial burden they face in the initial years of training; and
- \$65.4 million to establish 24 Australian Technical Colleges in regional and metropolitan locations with skills needs to provide quality education and trade training for senior secondary students.

The Australian Government also believes that all Australians must have equal opportunities to access higher education. This principle is central to the higher education reforms, and reflects the Government's commitment to ensure that no student is prevented or deterred by a lack of financial means from accessing their chosen education course. Important components of this approach include:

- The option for eligible students to defer their student contribution or tuition fees through the new Higher Education Loan Program and repay them later through the taxation system. This ensures students are not prevented from participating in higher education if they are unable to pay their student contributions or fees up-front and that higher education remains free at the point of entry;
- Targeted support for university students from low socio-economic backgrounds through Commonwealth Learning Scholarships. These provide around \$2,000 a year to assist with education costs and about \$4,000 a year to help with accommodation costs. By 2008, the Government will have committed \$327 million for about 40,000 new scholarships for this program; and
- The Higher Education Equity Support Program. This assists higher education institutions to promote and enhance access and academic outcomes for disadvantaged students. In 2005, over \$10 million will be allocated to institutions, based on enrolments, retention and success of students from low socio-economic status (SES) backgrounds with a weighting to low SES students from rural and isolated areas. This formula acknowledges the importance of low

SES as a prevailing indicator of disadvantage, while factoring in the additional disadvantage faced by low SES students from rural and isolated areas.

In addition to the already discussed New Apprenticeships Access Program and the Language, Literacy and Numeracy Program that assist disadvantaged groups in vocational education and training, the Australian Government also funds the Workplace English Language and Literacy Program, which assists workers to improve their English language and literacy skills to meet the demands of their current and future employment.

The Government's training policies have seen the number of apprentices almost triple, from 140,000 in 1995 to over 380,000 by the end of 2004. Similarly, changes to higher education policies, particularly the *Our Universities: Backing Australia's Future* reform package, will result in the creation of almost 36,000 new places in the higher education sector by 2008. These policies complement strategies to reform the labour market and to promote higher levels of participation, especially by income support recipients.

School to work transitions

Joint activities between the Australian and State and Territory Governments to support 'at risk' teenagers to stay at school or better manage the transition into full-time employment not only help raise labour force participation, but will increase the resilience of these young people and reduce the risk of poor labour market attachment leading to future hardship. The Government is committed to supporting young people aged 13 to 19 years to achieve a successful transition through school, and from school to further education, training and work. This commitment is demonstrated through initiatives such as:

- The Structured Workplace Learning Program provides senior secondary students with structured learning opportunities in the workplace;
- The Jobs Pathway Program which provides focused, individual assistance to young people at risk of not making a smooth transition through school, and from school to further education, training, or employment opportunities and active participation in the community;
- The Partnership Outreach Education Model Pilot provides 13–19 year olds who have become disconnected from mainstream education, and often their families and communities, with comprehensive and flexible learning opportunities to start achieving the educational, life and employability skills needed for autonomy in work and community life;
- The Enterprise Education Action Research project which supports students to apply their learning in real life situations and understand the realities of the wider world outside the school environment;
- The development of an 'e-portfolio' website allows Australians of all ages the opportunity to record their employability skills in an electronic record for presentation to future employers;
- The development of the Australian Network of Industry Career Advisers initiative to better prepare young people for study and work and assist students to understand study and work options through career information, advice, support and planning; and
- The Mentor Marketplace program, which expands mentoring opportunities through new mentoring activities and successful existing projects, assists young people aged 12 to 25 years to stay connected to family and community, education, training and the workplace.

Providing Support and Opportunities: Health

The Government has also identified improving health as important to achieving higher levels of participation, with the Treasurer raising the question as to whether there was a need to focus resources on addressing 'health' rather than 'illness'. As with education, such a focus also has positive ramifications for addressing hardship as this is often associated with poor health as well as being provoked or magnified by unhealthy lifestyles, including substance abuse.

To assist in understanding these issues, for the past four years the Australian Government has been supporting the Health Inequalities Research Collaboration which has been active in developing an evidence base on the causes of, and effective responses to, health inequalities. This is important to understanding how socio-economic factors, individual biology and behavioural and socio-cultural interactions can affect health.

The most recent research, released in the Australian Institute of Health and Welfare report *Health Inequalities in Australia: Mortality*, shows a narrowing of differences in the absolute death rate between the least and most disadvantaged groups. The narrowing of the gap in health outcomes between lower and higher socio economic groups testifies to the quality of Australia's health system.

Government health services are aimed at improving health outcomes for the entire Australian population. Initiatives in child health, Indigenous health, and across the major health priority areas, target specific 'at risk' populations such as Indigenous and rural communities. Further, the Government's focus on national health priority areas, such as diabetes, cancer and cardiovascular disease, has strengthened the focus on prevention and early intervention in chronic disease management.

In 2002 the Australian Government introduced improved assessment arrangements for people with a disability. These arrangements focus on work capacity and identifying services and supports that may help people with a disability participate in the workforce. Such arrangements have been successful in assisting people with a disability to improve their work capacity.

Under the new 'Welfare to Work' measures announced in the 2005–06 Budget, job seekers will benefit from improved assessment arrangements. From 1 July 2006, job seekers with significant participation barriers will have a comprehensive face-to-face assessment with a contracted work capacity assessor. Assessments will be conducted by a range of medical and allied health professionals such as rehabilitation counsellors, occupational therapists and psychologists.

The assessment will be a positive, holistic exploration of a job seeker's participation barriers, work capacity and the nature of interventions and assistance needed to improve current and future work capacity.

Providing Support and Opportunities: Employment services reform

Well targeted and practical employment assistance plays a vital role in giving people a clear pathway to employment. The Government has introduced a number of reforms to employment services to ensure people have access to the best services to help them find a job.

In 1998, the Government introduced Job Network, a diverse national network of private and community organisations contracted by the Government to deliver employment services and get unemployed people into jobs. The development of Job Network represented a move from an overly bureaucratic and inefficient service provider (the Commonwealth Employment Service) to a flexible system that delivers employment services tailored to the needs of individual job seekers.

The Government's 'Australians Working Together' (AWT) package, introduced in 2001, was developed to further support participation by people of working age on income support. The package is explicitly designed to meet the needs of particular disadvantaged groups including mature-age job seekers, Indigenous job seekers, people with a disability, and parents. The AWT package introduced measures such as:

- The Working Credit which encourages people to take up full-time, substantial part-time or irregular casual work by allowing them to keep more of their income support payment while working;
- Centrelink Personal Advisers;
- The Personal Support Program which helps people with severe or multiple obstacles to obtain a job;
- More disability employment assistance, rehabilitation and vocational education and training places for people with disabilities;
- An additional 9,200 Language, Literacy and Numeracy places for parents, mature age workers and jobseekers, and a fortnightly supplement to assist with the costs associated with participating in the Language, Literacy and Numeracy program; and
- The Career Planning Program to assist parents and carers returning to work and mature aged jobseekers to determine their employment, education and training goals and develop career management and decision making skills.

The 'Active Participation Model', introduced in July 2003, has delivered improved outcomes for job seekers. Under the 'Active Participation Model', a single Job Network member assists the job seeker for the entirety of their unemployment duration and coordinates an integrated service.

The positive outcome (employment and/or education/training) rates achieved in the year to end September 2004, three months after leaving assistance included:

- 74 per cent for Job Placement services;
- 53 per cent for Intensive Support customised assistance; and
- 61 per cent for Intensive Support job search training.

The 'Welfare to Work' package introduced in the 2005–06 Budget further expands and improves employment services to assist parents, people with a disability, mature aged and very long term unemployed people into employment.

- Eligible parents and mature aged job seekers will receive a new employment service in Job Network, Employment Preparation, which will provide tailored assistance for people with no recent work experience;
- People with a disability will benefit from improved assessment processes under new comprehensive Work Capacity Assessments, supported by more services in Disability Open Employment Services, Vocational Rehabilitation and the Personal Support Program; and
- Very long term job seekers may be eligible for Wage Assist, a wage subsidy program in Job Network that will assist them to attain sustainable employment.

In the package, financial incentives support the expanded and improved services in Job Network. Newstart Allowance will have a more generous income test and taper rate to improve incentives

for people to take up paid employment, particularly part-time employment for parents and people with a disability.

Providing Support and Opportunities: Homelessness

Homelessness represents a major threat to well-being, and while it may have many causes, it brings with it real disadvantage.

The National Homelessness Strategy (NHS) demonstrates the Australian Government's leadership on the significant issues of homelessness. The NHS links the Government's wide range of responses and programs that support people at risk of or experiencing homelessness. These programs include:

- The Supported Accommodation Assistance Program (SAAP). On 1 June 2005, the Australian Government made a final SAAP V offer to State and Territory SAAP Ministers. In this reconfigured offer, the Australian Government is providing \$932 million in overall funding. Of this, \$892 million will go directly to State and Territory Governments in program funding and around \$40 million will be directed to an Innovation and Investment Fund. Under this new offer, the total funds available to the SAAP sector will increase to \$1.77 billion over the life of SAAP V.
- The Innovation and Investment Fund will provide a total of \$120 million of SAAP V funds to develop better SAAP service responses to the three strategic directions of SAAP V identified in the National Evaluation of SAAP IV – better pre-crisis intervention, better service system linkages, especially for families and children and better post-crisis transition assistance.
- Household Organisational Management Expenses Advice Program. This program works with families who are at risk of becoming homeless, providing them with assistance before they get into crises. It builds on the success of its predecessor program, the Family Homelessness Prevention Pilots (FHPP). The evaluation of the FHPP found that, as a result of assistance provided to families, 90 per cent of participants were able to remain in their homes, or obtain alternative housing. In addition, there was a 50 per cent rise in employment and educational participation of adults who identified these as goals;
- Reconnect, an early intervention program that reconnects young people who are homeless, or at risk of homelessness, with their families, education, training, employment and community;
- The Job Placement, Employment and Training Program that assists this group to overcome personal and social barriers and engage more fully in the life of their communities and achieve greater social and economic participation; and
- The Transition to Independent Living Allowance that assists young people who leave the care and protection of State and Territory Governments to make a successful transition to independent living. The 2005–06 Budget included extended funding of \$10.6 million over the next four years of the program.

Homeless people also gain particular benefit from a range of mainstream programs. These include the Personal Support Program, which assists people with multiple non-vocational barriers to employment.

These types of programs have been successful in helping people even when they face very severe disadvantage.

RESPONSE TO MAJORITY REPORT RECOMMENDATIONS

As noted in the introduction the Government does not consider that the report of the majority members of the Committee adequately or appropriately responded to the issues before the Committee.

In many places the analysis presented in the majority report is both faulty and misleading. It uses data selectively and with little regard for known problems and limitations. In particular, it fails to identify the degree to which the issues it focuses on are primarily the consequences of policies implemented in the late 1980s and early 1990s.

Indeed, in a number of cases, the data it uses to justify its conclusions relate entirely to the period of the previous Labor Government, yet it seeks to attribute these poor outcomes to the current Government and the policies this Government has put in place.

The selective use of data in the majority report also obscures the more important question of which policies work. This is a pity, because the clear evidence shows that the policies of the Howard Government are improving the welfare of Australians through responsible economic and social policies that have been developed to provide opportunity, choice and reward. Attachment A considers some of these data in more detail.

The Government refutes the underlying claim of the majority report that disadvantage has continued to grow in Australia; rather this Government has delivered:

- Strong economic growth, with annual average GDP growth of 3.6 per cent – amongst the highest of countries in the OECD;
- Employment growth of almost 1.7 million jobs between March 1996 and June 2005, with the number of full-time and part-time jobs increasing by 925,100 and 787,700 respectively;
- Falling joblessness. The unemployment rate has fallen from 8.2 per cent when the Howard Government came into office to a June 2005 rate of 5.0 per cent, the lowest rate since November 1976. This represented 23 consecutive months of an unemployment rate below 6.0 per cent.
- Strong earnings and income growth. Average full-time adult total earnings have increased between February 1996 and February 2005 by 19.5 per cent in real terms, that is after taking account of changes in prices. In addition, the ABS has reported that the real average equivalised incomes of low-income households increased by 12 per cent between 1995–96 and 2002–03;
- Taxation reforms which have provided massive increases in support for families and will ensure that 80 per cent of Australian taxpayers pay a top marginal tax rate of 30 per cent or less – allowing them to keep a fairer share of the rewards of their efforts;
- The combination of growing earnings, increased support for families and taxation reform has resulted in major boosts to the household income of families with children;
 - It is estimated that the real disposable income of a single income earner couple family with children in receipt of a wage equal to Average Weekly Ordinary Time Earnings will have increased by 29.5 per cent between 1996–97 and 2006–07. Lone parents with no employment income will have received a gain of 27.6 per cent over the same period; and
 - The tax and family assistance reforms in essence will mean that a single income couple family with children will not pay net tax in 2006–07 until their income reaches \$44,950.

The majority report makes 95 recommendations. The Government notes that while a number of these largely express support for existing policies and programs, many others recommend major increases in expenditure without attempting to either cost these proposals, or identify how they could be funded.

Some of the recommendations are simply a call to reintroduce unsuccessful policies from the past or would lead to policies that will not be able to deliver the results that the majority report implies they can.

The minority members of the Committee describe the recommendations as “not a serious attempt to enhance existing successful strategies” and “shallow, naïve and purely political”.

The Government agrees with this finding of the minority report. As a result, the Government does not consider that it is in the interests of the Australian community, or for the future well-being of those Australians who are facing hardship and poverty, to adopt the recommendations put forward by the majority members.

The majority report placed particular emphasis on their proposals for a poverty summit, (recommendation 94), and the adoption of poverty targets and a poverty agency (recommendation 95).

These recommendations were also specifically discussed in the minority report. This said:

The Government senators cannot accept a National Poverty Summit (Recommendation 94) will achieve anything more than has been achieved with this committee....

People who call for a summit ignore the tremendous effort made by community and other groups already, in their regular and important submissions to and consultations with Government. (Page 451)

and that:

The Government Senators believe that it is appropriate for government to take responsibility for policies and to be accountable. Therefore, we cannot agree that it would be either wise or necessary to adopt a recommendation (No. 95) of the Labor Party to establish a statutory authority. This would only remove the sense of responsibility of others, and the functions that such a body could perform are already being undertaken. (Page 447)

The Government endorses these views.

Poverty summit

As observed by the minority members of the Committee, a poverty summit would neither solve nor resolve anything.

They noted that the many different interest groups identified in the recommendation have been active in public debate over many years and that their views and strategies are already well known by the Government and in the broader community. The Government already gives careful consideration to the range of ideas put forward by these groups, including in their submissions to the Government in the lead up to the annual Budget deliberations.

Anti-poverty agency

The minority report highlighted three key concerns with this recommendation:

- From the perspective of responsible and accountable Government, the functions proposed for this body are not appropriate. The responsibility for developing, implementing and monitoring social policy is not a function that should be delegated to a statutory authority or unit;
- Although the concept of poverty benchmarks appears to be superficially appealing they are, in reality, of limited value at best, and indeed may well be counterproductive to effective policies. The minority members highlight that, while income poverty measures suggest that poverty can simply be reduced by increasing welfare payments, overcoming disadvantage and hardship requires much more. They also note that the adoption of simple benchmarks and targets can result in policies being directed at simply improving performance against these, rather than tackling the real problems and causes of hardship and disadvantage; and
- That most of the other functions proposed for the authority are already being undertaken.

The Government agrees with these arguments.

The majority report bases its proposal for an anti-poverty agency on what it considered was a need for independent research and for the establishment of poverty targets. As discussed below the Government does not believe that substantive cases for these were advanced.

Social Policy Research

In advancing this recommendation the majority report ignores the substantial research that is being undertaken on these matters already. This Government is committed to evidence based policy making and to the research that is vital to this approach. To support this, research into many aspects of disadvantage, social well-being and community development is being undertaken and commissioned by Government departments and research institutes, by community organisations and in universities.

The magnitude of the research that is funded or undertaken by the Government is significant. For example, research spending by the Department of Family and Community Services (FaCS) is over \$17 million, including research into the causes and impacts of financial stress and hardship. Much of this funding is provided to external bodies including: the Social Policy Evaluation, Analysis and Research Centre and the Family and Community Health Unit, both at the Australian National University and the Social Policy Research Centre (SPRC) at the University of New South Wales. DEWR have a similar arrangement with the Melbourne Institute of Applied Economic and Social Research.

In addition the Government has been making major investments in longitudinal surveys that allow the comprehensive study of the life events and circumstances of Australians, and the way these influence outcomes for them and their children. Longitudinal data are essential to answer many of the questions facing policy makers and researchers on the experiences of people and how and why people respond to economic and social change. For instance, the longstanding Longitudinal Surveys of Australian Youth program, funded by the Australian Government, has shown the importance of sound literacy and numeracy skills gained at school, for achieving positive outcomes for young people, and for their ability to adapt to a changing world. In the 2004 Budget the Government committed a further \$22.9 million over the next 4 years to ensure the continuation of the Household Income and Labour Dynamics Australia (HILDA) Survey. The funding effectively guarantees that the survey will continue until at least 2008.

Poverty and financial hardship are not just about income. There is a range of many and complex reasons why people experience hardship and disadvantage, including physical and mental health

problems, drug addiction, problem gambling, poor education, domestic violence and family breakdown. Research has shown that the roots of many problems in adolescence and adulthood, including physical and mental health problems, antisocial behaviour and poor educational and occupational outcomes, can be found in early childhood. By tracking children over time, researchers can gain a better understanding of how, why and when children embark on pathways leading to positive or less positive outcomes, and where and when are the best times to help children move onto better pathways. The data derived from the Longitudinal Study of Australian Children in which the Australian Government is investing \$20.9 million over 9 years will assist in understanding these issues. Other longitudinal studies are being conducted into Indigenous Children and Women's Health.

A feature of much of this research is that the studies are managed by leading research institutions. The Government believes that the diverse conduct and ownership of research in these areas is crucial to a well informed public debate. This strategy is reflected in the Government's National Research Priorities that include the goal of 'strengthening Australia's social and economic fabric'. Examples of the type of work being supported under these priorities is a five year Australian Research Council (ARC) Discovery Grant and Professorial Fellowship that has been awarded to Peter Saunders of the SPRC, and a five year ARC Linkage Project being undertaken by SPEAR that will shed new light on the causes underlying the transmission of welfare dependence from one generation to the next.

Given the Government's clearly articulated social policy research priorities and the range of research currently underway in the areas of poverty and hardship, there is no need for the establishment of a statutory authority to undertake a similar function. There is similarly no need for an authority to commission research into poverty and its impacts when so many independent researchers are already utilising the government-funded longitudinal data sources such as HILDA to investigate these research questions.

Poverty targets

The second main argument of the majority report relates to the identification of poverty targets. This argument is again weak, and carries with it a strong risk of policies being misdirected to the pursuit of illusory and artificial targets – rather than addressing real and important problems.

Many of the limitations of poverty measures and targets have been identified in the minority report. The Government members noted in their report the experience of the adoption of poverty benchmarks in Ireland. In that country incomes have increased very rapidly as a result of the strong economic growth the country has experienced. As a result of these and other policies 'consistent poverty' – their benchmark – fell from 14.5 per cent to 5.0 per cent between 1994 and 2000. However, over the same period, relative income poverty – the very measure the majority members of the Committee attempt to use to estimate poverty levels in Australia – shot up from 15.6 per cent to 22.0 per cent, despite marked increases in the living standards of those people being classified as poor.

This example clearly shows the limitation of poverty measures, and the extent to which 'success' or 'failure' is simply a choice of the indicator. It is also an important context for determining the validity of claims about the effectiveness of statutory anti-poverty agencies.

The minority report also noted that the situation in the United Kingdom was far from being as simple as presented in the majority report and in some submissions. Although the United Kingdom Government announced their anti-poverty targets in early 1999, in April 2002, some three years after having established the target, they then decided to conduct a consultation and

development program to determine how in fact child poverty should be measured. This process was long and drawn out concluding in December 2003 with an announcement of a range of definitions, but a significant lack of clarity as to how these would be used.

RESPONSE TO MINORITY REPORT RECOMMENDATIONS.

The minority report made 8 recommendations; these are considered below:

Recommendation 1:

The Government Senators recommend that initiatives that assist the transition from welfare to work continue to be developed and implemented. These initiatives should include those that:

- **address the hurdles confronted by the unemployed**
- **improve job readiness**
- **address onsite and job-centred training**

In particular, the hurdles of language, literacy and numeracy should be identified as priorities.

Government initiatives should continue to be evaluated and funding directed to those initiatives delivering outcomes for those facing hurdles to employment. (Page 455)

Response:

The Government accepts this recommendation and notes that this recommendation is consistent with the major reforms already put in place by the Government in these areas.

As addressed in the body of this response, employment services reform has helped people of working age on income support move from welfare to work. Employment services in Australia are targeted at people who are at most disadvantage in the labour market. Job Network delivers employment services that improve job readiness, addresses individual barriers to unemployment and assists people of working age make the transition from welfare to work.

The 'Active Participation Model', introduced in July 2003, further assisted people of working age move from welfare to work through reforms to Job Network and better integrating employment assistance. Job seekers progress through a continuum of assistance, which may include onsite training, based on their duration of unemployment and level of disadvantage. A major innovation of the 'Active Participation Model' is the Job Seeker Account, a quarantined pool of funds that can be used by a Job Network member to purchase goods or services for eligible job seekers to address their individual needs and help them secure employment. The Job Seeker Account can be used by Job Network members for job centred training for individual job seekers.

The 'Welfare to Work' package announced in the 2005–06 Budget represents the next major step in assisting people of working age on income support to move from welfare to work. The new measures introduce increased requirements, supported by financial incentives to increase the rewards from working and increased services. As discussed previously, parents, mature aged people, people with disabilities and very long term unemployed people will benefit from increased employment services in Job Network, Disability Open Employment and vocational rehabilitation.

Disability Open Employment services and vocational rehabilitation services assist people with a disability who require ongoing support or rehabilitation to find and maintain employment. As part of the 'Welfare to Work' changes, the Government announced an additional 20,600 places in Disability Open Employment services, and an extra 41,600 Vocational Rehabilitation places.

In addition to employment services, the New Apprenticeships Workforce Skills Development Program aims to increase the number and range of New Apprentices in training and address supply and demand training issues, particularly in industries prominent in rural and regional Australia. The strategy provides assistance to support and expand the participation of Indigenous people in formal and nationally recognised training programs.

The Government also announced in the package that it will work with business to improve workplace flexibility and develop more effective transitions into work. The new initiatives target growth industries where there are strong job prospects and provide assistance to develop innovative recruitment, employment and retention strategies to increase the employment of parents, mature aged people, people with disabilities and very long term unemployed people. In particular, two schemes will be expanded to help the employers of people with disabilities. The Workplace Modifications Scheme will be expanded at a cost of \$29 million over four years. The Wage Subsidy Scheme will also be expanded by \$12 million over four years.

The evaluation of labour market programs informs the continual improvement in employment services. A comprehensive evaluation of the AWT package⁸ is due to be completed by June 2006. The evaluation will report on the overall effectiveness of the initiatives in the package on improving economic and social participation and reducing income support reliance for working-age income support recipients.

Recommendation 2:

The Government Senators recommend that we do not return to unnecessary government intervention in the form of outdated labour market programs, which were proven to be unsuccessful in the 1970's and would be a retrograde step to implement now.

The Government continue to introduce further reforms, which increase labour market flexibility while maintaining a safety net. (Page 459)

Response:

The Government accepts this recommendation.

International and Australian research suggests that participation requirements and assistance tailored to individual circumstances and capacity, coupled with incentives that ensure rewards from working, are successful in helping people improve their prospects of employment. In addition, the minimum wage should not be so high as to limit the job opportunities of lower skilled job seekers. It is for these reasons that this Government initiated welfare reform.

The Government's policies have been successful in reducing unemployment in Australia. Since the Government came into power in 1996, the unemployment rate has fallen from 8.2 per cent in March 1996 to 5.0 per cent in June 2005.

As has already been discussed in the context of employment services reform, and Recommendation 1 of the minority report, employment services are delivered through Job Network. Unlike previous arrangements under the Labor Government, Job Network does not offer 'one size fits all' employment services. Individualised service delivery is a key feature of the current measures, including Intensive Support customised assistance and the Personal Support Program. The 'Active Participation Model' has delivered excellent outcomes for job

seekers. In 2004, a total of around 630,600 placements were recorded by Job Network and Job Placement Organisations, an increase of 51 per cent on the previous 12 months and a new annual record. Furthermore, over 169,000 long term jobs were achieved for disadvantaged job seekers and those unemployed for longer than three months, more than double the previous year.

A key issue in assisting job seekers, particularly the disadvantaged and low-skilled, to find employment is to ensure that they are not priced out of the labour market by high minimum wages. Currently, minimum wages are set annually through an adversarial process involving unions, employers, governments and other interested organisations before the Australian Industrial Relations Commission. The Commission does not specifically consider the needs of the unemployed for a job when determining the level of increase.

The Government therefore proposes to substantially reform the process for setting minimum wages in Australia, as discussed above. Under the new arrangements there will be a stronger focus on the employment prospects of job seekers. The Government will establish a new body – the Australian Fair Pay Commission (AFPC) – to set minimum wages, guided by parameters set in legislation. The AFPC will conduct an investigative rather than an adversarial process, and will apply greater economic rigour to its determinations. In making its decisions it will take into account the impact on both the low paid and the unemployed, establishing a better balance between fair pay and employment.

Recommendation 3

The Government evaluate the potential benefits and pitfalls of easing the curtilage rules to assist mature-age Australians.

The Government Senators support the recent superannuation changes including the introduction of market-based income stream products and the Government's co-contribution measures to assist those Australians on low-income to save. (Page 461)

Response:

The means tests are kept under review to ensure they are meeting the requirements of the community and are appropriately targeted. The Government will take this recommendation into account in that context.

It should be recognised that income support payments are means tested to ensure that they are directed to those most in need and there are already mechanisms in place to assist people, particularly farmers, who are asset rich but cash poor. These include the assets hardship rules, the Pension Loans Scheme and a number of other special assets test concessions for farmers.

The introduction of the new 'market-linked income stream product' will provide retirees with more choice in selecting an income stream that best meets their retirement needs and also furthers the Government's commitment to increase competition in the provision of complying income stream products.

Recommendation 4

The Government Senators recommend

- **a continuing increased focus on participation (return from welfare to work, increased mature age participation) and self-reliance to maximise economic growth and minimise personal hardship.**
- **a review of the structural and cultural barriers to mature-age employment. (Page 463)**

Response:

The Government accepts this recommendation.

Our 'Welfare to Work' reforms, and the significant base of programs and initiatives they build upon, have been detailed above.

The need for a specific focus on mature age participation is a critical component of the nation's response to demographic change. It is an area in which significant gains have been made as a consequence of good economic management. Between March 1996 and June 2005 Australians aged 45 to 64 years gained markedly in the labour market; the number in paid work increased by 1,059,900 and the employment to population ratio jumped from 61.1 per cent to 68.2 per cent.

The 'Welfare to Work' package introduced a number of initiatives designed to remove barriers to unemployment for mature age job seekers. These include:

- Job seekers aged 50 years and over will have the same job search requirements as other job seekers to ensure that they remain connected to the labour market;
- Access to Employment Preparation, a new tailored service in Job Network for parents and mature age people; and
- Places in the New Enterprise Incentive Scheme for mature aged people not on income support.

Other Government initiatives to remove barriers and enhance the capacity of older workers to remain in paid work include:

- Early access for older workers to Intensive Support customised assistance and Job Search training;
- The Mature Age Worker Tax Offset, which will reward, encourage and assist mature age workers who choose to remain in the workforce. The Mature Age Worker Tax Offset will be available to people 55 years or over and will provide a maximum annual rebate of \$500 on their income from working. It will be available on assessment from the 2004-05 income year;
- Initiatives under the Mature Age Employment and Workplace Strategy through which the Government works with employers, recruitment agencies and industry bodies to encourage them to plan effectively for an age diverse workforce, and to develop strategies to attract and retain mature age workers;
- The Pension Bonus Scheme, which provides an incentive to allow older Australians to defer claiming Age Pension while continuing to work. Eligible scheme members receive a tax-free lump sum when they claim and receive Age Pension⁹;
- A progressive increase in the superannuation preservation age from 55 to 60 years between 2015 and 2025 to reduce incentives to retire prematurely, and an increase in the age at which women qualify for age pension. By 1 July 2013, it will be 65 years, the same as for men; and
- The Government's transition to retirement measure will allow people who have reached their preservation age to access their superannuation in the form of a non-commutable income stream without having to retire from the workforce or leave their job. This measure will commence on 1 July 2005.

Recommendation 5

That the Government continue to implement initiatives that decrease the number of clients breaching while upholding the principles (of) mutual obligation and joint responsibility.
(Page 464)

Response:

The Government accepts this recommendation.

As a consequence of administrative and legislative changes introduced since 2002, breach numbers fell by 30 per cent in 2001–02, by a further 50 per cent in 2002–03 and a further 27 per cent in 2003–04.

As part of the ‘Welfare to Work’ package, the Government announced its intention to replace the current breaching regime with a new suspension-based compliance system for all activity-tested income support recipients from July 2006.

Under the new system a failure to meet a participation requirement will result in suspension of payment until a job seeker complies, rather than the imposition of a lasting rate-reduction period. This new system builds on the success of current suspension arrangements as the most effective means of securing re-engagement and deterring non-genuine job seekers, while reducing the need to impose ongoing and potentially counter-productive financial penalties as a deterrent to non-compliance. It clearly links payment to participation and rewards those who are willing to comply quickly after an initial failure to do so. This approach also responds to the findings and recommendations of the Breaching Review Taskforce, which included representatives from the welfare sector, Government departments and the employment services industry.

Mechanisms are being developed to ensure the imposition of sanctions should not have a detrimental effect on particularly vulnerable individuals or third parties (for example, children), including through the use of case management to cover essential expenses where appropriate.

Other elements of the new system will be an eight week preclusion period for repeated or more serious failures and a ten per cent recovery fee for earnings-related debts incurred by working age payment recipients who knowingly provide inaccurate information about their earnings.

Recommendation 6

While the Government Senators are not in the habit of making recommendations outside their jurisdiction, they believe there are two issues that really require the urgent attention of the States and Territories.

Housing

That State Governments should assist home buyers by reviewing their ever increasing stamp duty taxes on houses as those increases virtually wipe out the benefit of the first home buyer incentive.

Problem Gambling

That State and Territory Governments reduce their reliance on Gambling as a source of revenue and increase investment in problem gambling programs. (Page 468)

Response:

The Government shares the concerns expressed by the minority members with regard to State and Territory Government policies in these areas.

Housing

The Government supports any effort by State and Territory Governments to improve housing affordability, especially for first homebuyers, through the review of stamp duties. The Government notes that, although State and Territory Governments have introduced some concessions for home buyers, increases in stamp duty receipts continue to provide substantial windfall profits for the States and Territories. A Housing Industry Association study shows that, in 2002, an estimated \$11 billion was levied by State and Territory and local governments on new housing, an average of \$67,000 per house.

Following the Joint Meeting of Housing and, Local Government and Planning Ministerial Councils in Melbourne on Thursday 4 August 2005, Ministers agreed to endorse the Framework for National Action on Affordable Housing (NAAH). The NAAH is considered to be the first national, strategic, integrated and long-term vision for affordable housing in Australia across multiple portfolios.

It follows on from last year's Productivity Commission Inquiry into First Home Ownership. This Inquiry found that stamp duty, land supply and infrastructure costs were major contributors to escalating housing costs. The Government welcomes the commitment of State and Territory Governments under the Framework to address some of these problems through planned reform of state-based planning and development mechanisms. However, the Government also notes that more work still needs to be done to reduce the stamp duty costs to the Australian home buyer.

Gambling revenues and problem gambling

2002–03 figures indicate Australians lost \$15.3 billion on gambling, and States and Territories received \$3.96 billion in revenue. Despite the overwhelming evidence of the negative impacts of gambling on some members of the community and their families, States and Territories have only been spending a trivial proportion of these revenues on assisting problem gamblers.

Most recent estimates suggest that State expenditures on problem gambling programs range from 0.06 per cent of State gambling revenue to 3 per cent. This stands against estimates from the Productivity Commission in 1999 that almost 300,000 (or 2 per cent) of adult Australians are problem gamblers and that, for every one of these, an additional 5 to 10 people are adversely affected in a direct way by their gambling. The even more concerning information is that the Productivity Commission's 2002 update estimated that 15 per cent of regular gamblers were problem gamblers, and those gamblers accounted for 30 per cent of expenditure on gambling products.

The Australian Government is leading State and Territory Government collaboration on the national approach to addressing problem gambling, through the Ministerial Council on Gambling. This includes development of a better approach to national gambling research, more transparent reporting on efforts to address problem gambling and promotion of better collaboration by State and Territory on key policy issues. The Australian Government has also provided \$2.4 million over the next four years to support research activities undertaken with State and Territory governments and commissioned independently by the Australian Government.

The Government will convey the views of the minority members of the Committee to States and Territories through the Housing and Gambling Ministerial Councils.

Recommendation 7

That the Government continue to recognise the need for financial counselling as an effective initiative in assisting Australians in moving from welfare to work, and to prevent them accumulating unsustainable debt. (Page 469)

Response:

The Government accepts this recommendation.

The Government is committed to assisting Australians to make more informed financial decisions and better manage their money.

The Government recognises that Australians need to improve their skills to make informed judgements and effective decisions about the use and management of their money in the current marketplace.

In February 2004, the Government established the Consumer and Financial Literacy Taskforce to develop an overarching national strategy to enhance financial literacy in Australia. The Taskforce was chaired by finance commentator, Mr Paul Clitheroe, and included high-level representation from the public, private, community and education sectors.

In June 2004, the Government released the Taskforce discussion paper *Australian Consumers and Money*. The paper highlighted the need for consumers to be better skilled in negotiating transactions and in managing money. On 31 August 2004, the Taskforce presented its recommendations to the Government. One of the key recommendations of the Taskforce was that a central coordinating body be established to improve the effectiveness of consumer and financial information and education in Australia.

The Government adopted the Taskforce's recommendation and established the Financial Literacy Foundation under its Election 2004 Policy, *Super for All and Understanding Money*.

The Foundation was launched in June 2005 and will take forward a national strategy to deliver the Government's commitment to help all Australians increase their financial knowledge and better understand their options and the choices they can make in using and managing their money.

Key elements of the strategy are to:

- Implement an Australia-wide information and awareness-raising campaign;
- Establish a one-stop website to serve as a portal for financial literacy education and information resources;
- Incorporate financial literacy programs in schools and workplaces, and
- Conduct original research to build understanding of both influences on community attitudes to financial literacy and best practice approaches to extending and measuring financial literacy.

The Government has allocated funding of \$5 million per annum over five years (indexed) for the operation of the Foundation, and \$16 million over two years to conduct an information program to raise awareness and provide information on financial literacy issues.

Other initiatives include:

- The Commonwealth Financial Counselling Program (CFCP), that, including through its Sugar Industry Reform Program 2004 element, assists people who are experiencing personal

financial crisis by providing advice and information, carrying out individual advocacy and making referrals. In 2004–05, there were approximately 12,000 CFCP clients, with an estimated 70 per cent of clients gaining improved financial management skills;

- The Rural Financial Counselling Service Program, which is part of the *Agriculture Advancing Australia* initiative and provides free financial counselling assistance to primary producers, fishers and small rural businesses that are experiencing financial hardship and do not have access to alternative sources of financial counselling;
- The Indigenous Financial Management Initiative that involves intensive money management support for families and individuals in six Indigenous Financial Management sites. It will assist Indigenous individuals and families to build self-reliance, improve living standards and well-being, and improve financial and social functioning through increasing financial literacy and money management capacity;
- The Cape York Family Income Management trial aims to develop the capacity of individuals and families to effectively manage their income and to achieve better living standards through improved financial literacy and practice; and
- The Centrepay scheme, which assists people to better manage their money through the use of direct deductions from income support and family assistance payments to pay rent, utility, grocery and other bills.

Recommendation 8

The Government continue to assist Indigenous Australians through initiatives which:

- **identify hurdles to employment and participation;**
- **assist with the removal or overcoming of those hurdles; and**
- **assist with the transition from welfare to work.** (Page 470)

Response:

The Government accepts this recommendation.

The Government believes Indigenous Australians, wherever they live, should have the same opportunities as other Australians to make informed choices about their lives, to realise their full potential in whatever they choose to do and to take responsibility for managing their own affairs.

Indigenous people are disadvantaged compared to non-Indigenous people. These disadvantages are well documented, long standing and the outcome of complex, interrelated causes.

The Government is improving the way services are provided to Aboriginal and Torres Strait Islander people and communities. The Government believes that a shared responsibility approach is essential to building strong and resilient communities. Governments and communities must work together at a local level to address the issues identified by Indigenous communities. In this way Indigenous communities and governments can identify hurdles and develop strategies to remove or overcome these hurdles.

Communities must own solutions. Shared Responsibility Agreements (SRAs) between government and local Indigenous communities set out agreed areas for action and the responsibility of governments and communities in achieving those actions. At June 2005, 76 SRAs had been developed involving 64 Indigenous communities around the country. These agreements signal the beginning of a new relationship between government and Indigenous communities.

Employment and economic participation are an essential part of overcoming disadvantage and other social problems. That is why the Government has developed flexible mainstream and Indigenous specific measures that support education, skills development, and job search. These also include a comprehensive package to help Indigenous Australians take advantage of local business opportunities.

The Australian Government is also supporting the transition of Indigenous Australians from welfare to work. In April 2005 the Government released *Building on Success: CDEP Future Directions*. This document outlines the Government's agenda for supporting Community Development Employment Project (CDEP) participants into work off CDEP payments or more focused participation on addressing the issues and needs identified by Indigenous communities.

In addition to the broader 'Welfare to Work' initiatives discussed earlier in this submission the Government is progressively lifting activity test exemptions granted to income support recipients in remote areas. Lifting these remote area exemptions and promoting active participation will help remote Indigenous communities address the problems that flow from passive welfare receipt.

Further information about the Australian Government's employment and economic development programs for Indigenous Australians is at Attachment B.

CONCLUSION

The Government believes that the majority members of the Committee have done a grave disservice to those Australians who face disadvantage and hardship. The conduct of an inquiry into poverty and financial hardship should have brought with it the opportunity to develop a much deeper understanding of the factors associated with disadvantage, the pathways to it and the strategies to prevent it. Unfortunately, the majority report has not achieved this objective. The majority members have produced a report that provides no real insight into these issues, but rather rehashes unsuccessful policies and ideas and uncritically repeats unjustified and unsubstantiated suppositions and observations.

Through responsible economic management, not only has the Howard Government generated new opportunities and increased living standards for the vast majority of Australians, but it has also put in place a wide range of policies and programs to assist people to take up these opportunities while providing effective support for those in need.

This Government is also committed to long term strategies aimed at further reducing hardship in the Australian community: through welfare reform; through support for early childhood development and other early intervention and prevention programs; and through strategies designed to increase economic growth and participation.

These are all fields where an effective inquiry could have provided informed and useful advice. Unfortunately this was not the case. Rather than looking forward, the majority of the Committee was looking backwards, seeking to re-introduce the failed programs of the past.

RESPONSE TO ANALYSIS PRESENTED IN MAJORITY REPORT

The analysis presented in the majority report is both faulty and misleading. It uses data selectively and with little regard for known problems and limitations. In particular, it fails to identify the degree to which the issues it focuses on are primarily the consequences of policies implemented in the late 1980s and early 1990s.

Indeed, in a number of cases, the data it uses to justify its conclusions relate entirely to the period of the previous Labor Government, yet it seeks to attribute these outcomes to the current Government and the policies this Government has put in place.

The selective use of data in the majority report obscures the more important question of which policies work. This is a pity, because the clear evidence shows that the policies of the Howard Government are improving the welfare of all Australians through responsible economic and social policies that have been developed to provide opportunity, choice and reward.

The Government refutes the underlying claim of the majority report that disadvantage has continued to grow in Australia. As has been amply demonstrated in the body of our response, this Government has achieved strong economic growth and has seen the benefits of this growth distributed throughout the community as increased employment, higher wages and higher family incomes.

This attachment specifically addresses claims made in the majority report regarding poverty estimates; the nature of changes in the labour market; trends in earnings and incomes; and claims about the ‘working poor’.

Poverty estimates

The majority report makes the claim that the number of Australians living in poverty is between 2 to 3.5 million, justifying this on the basis that a wide number of different submissions quoted estimates in this range.

However, the majority report fails to note that virtually every one of these estimates comes from a single source – a single series of NATSEM studies commissioned by The Smith Family¹⁰.

The weaknesses of these studies are well known:

- They primarily rely upon relative poverty lines and the discredited Henderson Poverty Line and its associated equivalence scale;
- The main measure – half mean income – that the researchers indicated was chosen by The Smith Family has been criticised as an inappropriate measure by almost all leading researchers;
- The study took no account of the well-known problems of income data not accurately recording incomes and living standards of low-income households. (ABS, for example, have recently cautioned that “Therefore most households in the bottom decile are unlikely to be suffering extremely low levels of economic well-being and income distribution analysis may lead to inappropriate conclusions if such households are included”¹¹); and

- It takes no account of the circumstances of a household over time, focusing rather just on very short-term snap-shots of income.

The inadequacies of this methodology are also highlighted by the perverse results that it can generate. In the most frequently cited source of this type of estimate, the NATSEM report *Financial Disadvantage in Australia 1990–2000*¹², the researchers report that both median and mean real equivalised household weekly disposable incomes fell between 1990 and 1995–96 (by \$36 and \$19 respectively in 2000 dollars). These falls resulted in the poverty line in 1995–96 being lower than it was in 1990. A consequence of this is that it was possible for a household that was considered to be in poverty in 1990 to be identified as not poor in 1995–96 even if their real income had fallen over the period. In other words this approach can result in people moving out of ‘poverty’ – not because their own living standards had increased – but because the overall living standards in the community had fallen. Adopting this approach, as was done in the analysis of the majority report, reflects a belief that there is nothing wrong with falling living standards, as long as the standards of the top and the middle fall more quickly than those at the bottom.

This example clearly illustrates one of the reasons why the Government rejects the use of the relative poverty line approach to determine changes in living standards and well-being. The Government believes that the well-being of the community – and the effectiveness of policies to assist the most vulnerable – should be measured by whether or not living standards have improved. This means that measurement should focus on whether or not the most vulnerable in the Australian community have increased or decreased their capacity to access the goods, services and opportunities they need.

There is a substantial and verified body of research¹³, both in Australia and overseas, that demonstrates that an income poverty measure is also very poor at identifying actual disadvantage within our community. Simple relative income poverty measures classify many people as being in poverty despite their having relatively high levels of consumption and/or no signs of disadvantage. They also fail to recognise that vulnerability and disadvantage can be as serious a problem for households across a wider range of incomes as for those who simply report the lowest incomes.

The approach to these issues in the majority report is very confused. Most strikingly, while the majority members make extensive use of the concepts and examples of deprivation to illustrate the nature of disadvantage and poverty, when they come to quantify issues they rely almost exclusively on the concept of relative income. That is, they take no account of changes in the living standards of the population and make no real attempt to measure either the actual outcomes, or the relationships between these outcomes and the wide range of factors that contribute to disadvantage.

This, quite simply, is wrong and misleading.

Changes in the Labour Market

The majority members of the Committee cite a range of statistics to justify their position with regard to the state of the labour market. These include that:

- Unemployment has risen since the 1970s;
- Full-time employment growth has been low relative to part-time growth (page 60);
- Long-term unemployment has grown (page 70); and

- 700,000 children are ‘growing up’ in jobless households.

The reality of these claims must be tested, and what becomes clear is that these statements are not a description of the labour market today – but rather the labour market conditions prior to 1996:

- The unemployment rate was 10.9 per cent in December 1992 – more than double the June 2005 rate of 5.0 per cent;
- There was a loss of 433,400 full-time jobs between July 1990 and November 1992;
- There were 329,800 long term unemployed in May 1993, compared to 91,500 in June 2005;
- While there were 597,400 children under the age of 15 who lived in households where neither parent had a job in June 2005, in 1993 there were 711,600; and
- Over this period the joblessness rate in households with children under the age of 15 where neither parent had a job also declined from 18.9 per cent to 15.0 per cent.

The Howard Government has clearly demonstrated, through the achievement of a significant reduction in unemployment rates, that it has been effective in addressing unemployment. This Government is committed to responsible economic management, economic development and growth. Linked to this is the Government’s commitment to enable all Australians to participate in society and to have the opportunity to gain the benefits of a strong and growing economy and improving living standards.

The opportunity for all who can work to do so is central to this.

Between March 1996 and June 2005 almost 1.7 million additional Australians have gained employment. Both men and women have benefited from this robust employment growth with employment increasing by 807,000 for men and by 887,300 for women over this period. Both full-time and part-time jobs experienced strong growth, recording increases of 925,100 and 769,200 respectively.

In many cases, these new jobs represent an opportunity for a family that has been hit by unemployment to re-establish themselves. For others, for example, a partner of an employed person, it is an opportunity to use their skills or vocation and contribute to household finances. For many young people these jobs represent their entry into the world of employment and economic independence.

This strong employment growth has made significant inroads into unemployment. The unemployment rate in June 2005, of 5.0 per cent, was at the equal lowest rate recorded in Australia for over 28 years and unemployment had been below 6.0 per cent for 23 consecutive months. In June 2005 long-term unemployment had fallen to just 91,500, more than halving the 197,800 long term unemployed this Government inherited.

Another claim in the majority report concerns ‘hidden unemployment’ and labour force underutilisation. While these concepts can be measured in many different ways, as shown in Table 1, no matter how it is defined, unemployment and labour under-utilisation have fallen since 1996.

Table 1: Persons aged 15 years and over – Labour Underutilisation (Original)¹⁴

September		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Long-term unemployment rate	%	3.0	2.3	2.3	2.6	2.4	2.0	1.5	1.5	1.4	1.3	1.2
Unemployment rate	%	9.0	8.1	8.3	8.2	7.7	7.0	6.0	6.9	6.4	5.9	5.5
Labour force underutilisation rate	%	14.1	13.8	13.8	13.6	13.0	11.8	10.9	12.6	12.1	11.5	11.1
Extended labour force underutilisation rate	%	15.5	15.1	15.2	15.0	14.3	13.2	12.2	13.7	13.1	12.5	12.2

These gains have been shared across Australia. When the Howard Government came into office 16 labour market regions had unemployment rates above 10 per cent. Today, no region is in this situation. Similarly, while just 16 per cent of Statistical Local Areas had unemployment rates¹⁵ below 5 per cent in 1996, by March 2005 this had increased to well over half (56.2 per cent).

The high level of family joblessness is of concern to this Government. It is a disappointment therefore that the majority members have not treated this issue seriously. Not only does the majority report ignore the trends in the incidence of such joblessness, but they do not discuss the underlying driving factor – that of growing lone parenthood and the extent to which such parents are not participating in the labour market – as well as presenting the data in an alarmist way.

This approach obscures the fact that it has been possible to reduce rates of family joblessness and that this Government's approach to the labour market, economic growth and welfare reform is putting in place strategies to do so.

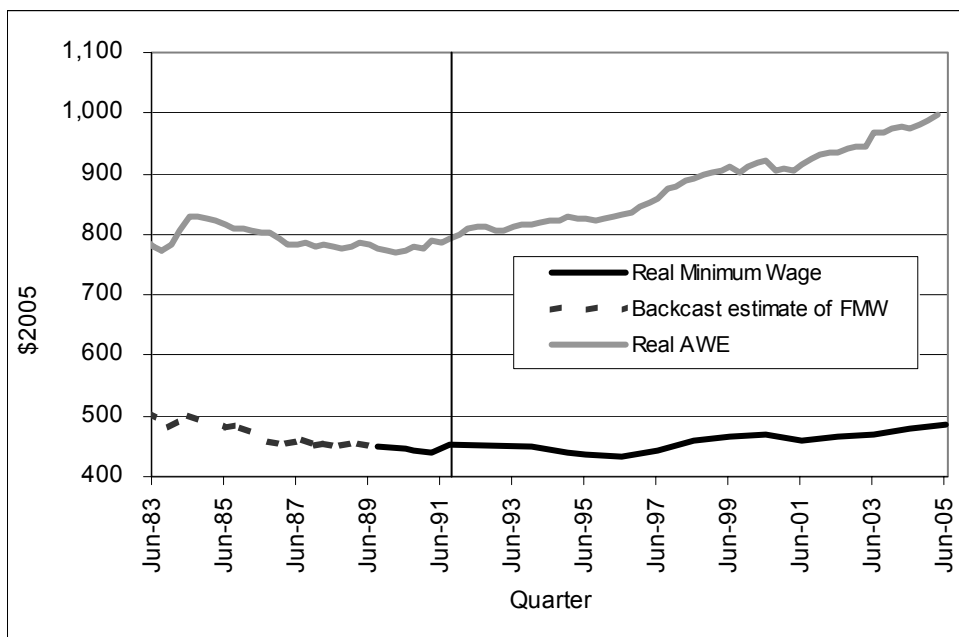
Analysis of the patterns of family joblessness reveals that:

- The proportion of couple families with dependent children aged under 15 years that had neither parent in employment has been reduced from 10.8 per cent in June 1993 to 5.3 per cent in June 2005;
- Similarly the rate of joblessness amongst lone parents has been reduced over the same period from 58.6 per cent to 50.7 per cent; and
 - Both of these rates stand well below the rate of 66.1 per cent recorded by this group of parents in 1983.

Trends in earnings and incomes

The majority report presents, on page 80, a chart submitted by ACOSS showing trends in real average and minimum wages. This is reproduced below using updated data.¹⁶

Figure 1: Real values of the Minimum Wage and Average Weekly Earnings (Full-Time Adult Ordinary Time) \$ June 2005



The majority report focuses on this chart to justify its claims that the level of the minimum wage represents a declining proportion of the average wage. Remarkably, however, the majority report fails to mention the most significant features of the chart, that is, on the data they themselves put forward:

- The real value of the average earnings fell for most of the second half of the 1980s and indeed showed no overall growth between November 1984 and February 1996;
- Over significant periods the real value of the minimum wage declined, including a fall of 4 per cent between 1991 and 1995; in contrast
- Since 1996, the real value of the minimum wage has increased substantially, as have average earnings.

Indeed the real value of the minimum wage in 2005 was 11.9 per cent higher than it was in 1996.

So, in examining changes in the living standards of Australians, the majority of the Committee ignored the most basic question – do Australians have higher or lower earnings after account has been taken of changes in living costs?

Similar selectivity is again revealed on page 56. Here the majority reports, as ‘evidence’ of the problems of lower paid workers, that between 1991 and 2002 the ratio of the earnings of a full time employee at the 10th percentile of the earnings distribution relative to the median full time employee fell from 71.6 per cent to 67.5 per cent.

Absent from this analysis put forward by the majority members are the facts that:

- This proportion had actually fallen from 74.8 per cent in May 1983 to 68.9 per cent in May 1996, a fall of 5.9 percentage points;
- Between then and 2002 the decline was only 1.4 percentage points; and
- The real value of earnings of a person at the 10th percentile of full-time earnings actually fell between May 1983 and May 1996, in June 2004 dollars, by \$17 per week.

That is, not only did their relative earnings fall quite markedly in the period up to 1996, but their real earnings also fell – between May 1983 and May 1996, they were \$17 per week worse off (in June 2004 dollars).

- In contrast, between 1996 and 2004, they have seen their real earnings increase by \$36 per week (in June 2004 dollar terms).

These simple, but eloquent, facts are absent from the majority report's considerations.

A further problem with the data analysis which is presented in the majority report is its use, on page *xvii*, of an (unattributed) figure from Harding and Greenwell (2002)¹⁷ to justify claims of increasing inequality. The report does not however note that this table was:

- Based on an early release of erroneous data for 1998–99 that omitted some income support payments and some other income, and was subsequently reissued by ABS; and
- Uses disposable income estimates for 1994 which have been derived using a very simplistic estimate of income tax.

Correcting for these factors, as shown in Table 2, results in a 1998–99 Gini coefficient of 0.302, (not 0.311 as claimed in the report), and in 1984 a coefficient of 0.289 (rather than 0.298).

Taking these corrections into account suggests that:

- Between 1993–94 to 1998–99 there was no substantive shift in the income distribution, with the Gini coefficient declining marginally from 0.306 to 0.302; but
- There was a noticeable increase in inequality between 1984 and 1993–94, with the Gini coefficient increasing from 0.289 to 0.306.

This is the opposite set of trends to those implied in the majority report.

Furthermore, the corrected data show that the share of disposable income received by the bottom quintile in 1998–99 was 7.9 per cent. This is the same proportion as in 1993–94 (rather than 7.4 per cent as claimed in the majority report). Similarly the corrections result in the share of income received by the top quintile in 1998–99 falling to 37.8 per cent – below the share they received in 1993–94.

Most importantly, the corrected data show that the real disposable incomes of households in the lowest quintile, after having remained stable or falling over the whole decade between 1984 and 1994–95, increased by 10.5 per cent between 1993–94 and 1998–99.

In summary the clear evidence is that:

- During the late 1980s and early 1990s, there was a marked increase in inequality driven in large part by falling wages and stagnant or falling net incomes, especially amongst low-income earners.
- Under this Government, there have been strong increases in earnings, including an increasing real minimum wage. This, along with growing levels of employment, has resulted in a marked increase in the incomes of low-income households.

Table 2: Household Expenditure Surveys – equivalised disposable income distribution 1984 to 1998/99¹⁸

	1984		1988/89	1993/94	1998/99		1984 to 1993/94		1993/94 to 1998/99		
	NATSEM (a)	Revised			NATSEM (b)	Revised	Change	% Change	Change	% Change	
Gini	0.298	0.289	0.296	0.306	0.311	0.302	0.017	5.8%	-0.004	-1.2%	
		\$(1998/99) per week									
Mean Income	406	411	416	423	464	469	11	2.8%	46	10.9%	
Median Income	354	361	369	367	408	412	6	1.6%	44	12.1%	
Mean Income											
1st Quintile	167	170	169	168	172	186	-2	-0.9%	18	10.5%	
2nd Quintile	260	270	272	267	293	297	-3	-1.1%	31	11.5%	
3rd Quintile	358	367	371	368	409	412	1	0.2%	44	11.9%	
4th Quintile	479	492	494	505	562	563	14	2.8%	58	11.5%	
5th Quintile	766	760	778	807	886	885	47	6.2%	79	9.7%	
Income Share											
1st Quintile	8.2%	8.2%	8.1%	7.9%	7.4%	7.9%	-0.3%	-3.6%	0.0%	-0.4%	
2nd Quintile	12.8%	13.1%	13.0%	12.6%	12.6%	12.7%	-0.5%	-3.8%	0.1%	0.6%	
3rd Quintile	17.6%	17.8%	17.8%	17.4%	17.6%	17.6%	-0.4%	-2.5%	0.2%	1.0%	
4th Quintile	23.6%	23.9%	23.7%	23.9%	24.2%	24.0%	0.0%	0.0%	0.1%	0.6%	
5th Quintile	37.7%	36.9%	37.4%	38.2%	38.2%	37.8%	1.3%	3.4%	-0.4%	-1.0%	
Income at:											
95th percentile	821	815	812	866	965	963	51	6.2%	97	11.2%	
90th percentile	693	707	704	731	815	816	24	3.5%	85	11.6%	
75th percentile	516	530	530	547	605	605	16	3.0%	58	10.6%	
Mean	406	411	416	423	464	469	11	2.8%	46	10.9%	
Median	354	361	369	367	408	412	6	1.6%	44	12.1%	
25th percentile	237	247	248	244	269	274	-2	-0.9%	29	12.1%	
10th percentile	175	179	180	186	188	202	7	3.9%	16	8.5%	
5th percentile	156	159	157	154	150	170	-5	-3.0%	16	10.3%	
Income Ratios											
95:10 (very top:bottom)	4.63	4.54	4.50	4.64	5.13	4.76	0.10	2.3%	0.12	2.5%	
90:10 (top:bottom)	4.01	3.94	3.90	3.92	4.33	4.03	-0.02	-0.4%	0.11	2.9%	
90:50 (top:middle)	1.99	1.95	1.91	1.99	2.00	1.98	0.04	1.9%	-0.01	-0.4%	
50:10 (middle:bottom)	2.02	2.01	2.04	1.97	2.17	2.03	-0.05	-2.3%	0.07	3.4%	

- (a) Original estimates using simple regression based distribution of income tax
 (b) Original estimates based upon incorrectly compiled data file

An important insight into the increased dispersion of earnings has been given by Michael Keating in a paper *The Case for Increased Taxation*.¹⁹ In this he concludes that “the available evidence strongly suggests that relative rates of pay have changed very little over the last 30 years ... Instead the changing distribution of earnings, at least among different occupations, seems to have been almost entirely driven by the changing distribution of jobs. For example, almost all the shift in the dispersion of occupational earnings between 1986 and 2000, in favour of the high-income occupations, was due to their increasing share of employment.” That is, the increase in earnings dispersion is a direct result of the creation of new and better jobs.

The working poor

Linked closely with the faulty analysis of trends in income in the majority report are the claims about the ‘working poor’. The data included in the majority’s own report (page 80) incontrovertibly show that during the late 1980s and early 1990s the minimum wage fell in real terms. More remarkable is that the majority report presents, on page 75, research by Eardley that

claims the number of low paid adult workers ‘living in poverty’ doubled from one in ten to one in five between 1981–82 and 1995–96, without linking this to an understanding of the policies that were in place at that time.

In contrast to these trends, since 1996 the minimum wage has increased substantially and low income households with children have benefited very significantly from increased support for families:

- While in May 1996 the Minimum Wage was \$349.40, by June 2005 it stood at \$484.40 – a nominal increase of \$135 per week. In real (June 2005 dollar) terms it rose from \$433 to \$484, an 11.9 per cent increase – or \$52 per week; and
- As noted in the body of this response, low and middle income working families have gained dramatically from this Government’s commitment to supporting families. As a result, a single earner couple family with two children receiving the minimum wage would have seen their real disposable income²⁰ increase (in June 2005 dollar terms) from \$623 to \$746.

This is the actual story of the ‘working poor’. For such a family with a single minimum wage – that is, paid at the lowest rate applicable for a full-time adult worker – their real purchasing power under this Government, since 1996, has increased by \$123 per week or 19.7 per cent.

The primary cause of low income is not a low wage but joblessness. The argument that minimum wage jobs lead to the creation of a low paid underclass is not supported by the facts. Indeed the majority of low wage earners eventually move into higher paid positions after gaining on-the-job skills and experience.

The majority report also places considerable weight on what it claims is “the most salient example of the prevalence of poverty and disadvantage ... the striking finding that 21 per cent of households, or 3.6 million Australians, live on less than \$400 a week – less than the minimum wage” (page *xviii*). This figure not only appears to be erroneous but its presentation as evidence of the ‘persistence of low pay’ is totally misleading.

The majority members give no source for their estimate of 3.6 million Australians living in households with incomes of under \$400 per week. The closest estimate would appear to be in a submission by the Society of St Vincent de Paul (Submission 44) that claims that 21.1 per cent of households earn less than \$400 per week and that there are 3.4 million people in these households. This estimate is however not only lower than that used in the report but is incorrect in its calculation of the number of people living in such households as it is based upon an assumption that the average size of these households was 2.4 persons.

Analysis of the Census data, which the Society of St Vincent de Paul gives as its source, however shows that 57 per cent of these households are single person households, with the next largest group being couples living by themselves. The average size of the households is in fact around 1.7 persons²¹.

Further analysis reveals that residents of these households tend to be aged and not in the labour force, and while the Census does not provide information on the source of income it is probable that most of these households are reliant upon income support payments. As the rates of these payments to single persons, couples without children and sole parents with one child, were all below \$400 per week at the time of the Census – and as the level of income support paid to such households is less than the minimum wage of a full-time employee, the ‘salience’ of this finding is difficult to ascertain.

INDIGENOUS POLICIES AND PROGRAMS

As noted in the response to Recommendation 8 of the minority members of the Committee the Australian Government has implemented extensive policies and programs to respond to the disadvantage faced by Indigenous Australians. This Attachment considers these responses in more detail.

Service Delivery Principles and Shared Responsibility

To ensure high quality service delivery to Indigenous people and communities in the future, the Government is implementing the Council of Australian Governments service delivery principles to ensure improvements in Government service provision:

- Sharing responsibility between Government and Indigenous people for making positive change;
- Harnessing mainstream services to ensure that Indigenous people and communities receive a comprehensive range of services;
- Streamlining service delivery to improve the accessibility and efficiency of those services;
- Establishing transparency and accountability in services provided by both Government and communities;
- Developing a learning framework to ensure continuous improvement and to foster innovation; and
- Focussing on priority areas so that those in greatest need receive targeted assistance.

The Government believes that a shared responsibility approach is essential to building strong and resilient communities. Communities must own solutions and the relationship between Government and communities must be based on cooperation and partnership. Shared Responsibility Agreements between Government and local Indigenous communities set out what needs to be done, how it will be done, and where responsibility for each process lies.

Through these arrangements, the Government is committed to ensuring that funding for Indigenous people from all sources is coordinated and effectively implemented, and that Indigenous communities at the local and regional level have a say in how it is spent.

Indigenous Employment and Economic Development Toolkits

Employment and economic participation are an essential part of overcoming disadvantage and other social problems. That is why the Government has developed flexible mainstream and Indigenous specific measures that support education, skill development, and job search. These also include a comprehensive package to help Indigenous Australians take advantage of local business opportunities.

Boosting Employment Participation and Local Business Opportunities

While the circumstances and problems of each community vary, across Australia the most significant hurdles to Indigenous people's employment and economic participation are:

- Low levels of education and training;
- Geographic location with a significant proportion of Australia's Indigenous population living in remote and very-remote areas;
- Poor health; and
- Discrimination.

Through the Indigenous Employment Policy, introduced in 1999, the Australian Government aims to remove or compensate for these hurdles to employment and economic participation. Because relatively few Indigenous people are operating their own businesses or working in the private sector, providing better access to private sector employment and business opportunities is an important part of the Government's approach to overcoming Indigenous disadvantage. Key goals include:

- Increasing the level of Indigenous peoples' participation in private sector employment;
- Improving outcomes for Indigenous job seekers through Job Network;
- CDEP sponsors place their work-ready participants in open employment; and
- Supporting the development and expansion of Indigenous small business.

The three main elements of the policy include employment, initiatives to stimulate Indigenous economic activity and measures to improve employment services for Indigenous Australians in addition to Job Network.

The first of these, employment initiatives, contains a number of components including:

- Wage Assistance which provides a wage subsidy for employers offering long-term jobs;
- Funding through Structured Training and Employment Projects to allow employers to provide long term, unsubsidised jobs;
- The Community Development Employment Projects Placement Incentive which helps move CDEP participants into open employment;
- The Corporate Leaders for Indigenous Employment Project. This encourages private sector companies to generate more private sector jobs for Indigenous Australians;
- The National Indigenous Cadetship Program;
- Indigenous Community Volunteers which provides volunteers who can transfer their skills to people in Aboriginal and Torres Strait Islander communities and organisations;
- Encouragement of investment in Indigenous businesses by the private financial sector through the Indigenous Capital Assistance Scheme; and
- The Self Help Program trial which assists individuals establish their own small business.

The second element involves initiatives to stimulate Indigenous economic activity including:

- The Indigenous Self Employment Program which assists individuals to establish their own business through advice and support;
- The Indigenous Small Business Fund, which provides funding for the development and expansion of Indigenous businesses and enterprises; and

- The Indigenous Capital Assistance Scheme which includes mentoring and development loans.

The third element involves measures to improve employment services and outcomes for Indigenous Australians in addition to Job Network. This includes:

- Indigenous Employment Centres operated by CDEP organisations to provide employment services to participants; and
- Indigenous Youth Employment Consultants who provide links to work and education opportunities for young Indigenous people.

Indigenous Business Australia

Indigenous Business Australia (IBA) improves the opportunities for Aboriginal and Torres Strait Islander people to participate in business and to buy their own homes. Participation in business and asset accumulation through home ownership is seen as a key part of economic development.

In seeking opportunities for economic development for Indigenous people, IBA actively pursues strategic alliances with local, State and Australian Government programs, the banking industry, private sector and Indigenous organisations. It also gathers regional market intelligence for analysis and improves awareness of training and entrepreneurial opportunities available to Indigenous people in regional and remote areas.

Reforming CDEP

The Government recognises that the CDEP scheme is currently an important form of participation (often the only or main form of economic participation) for Indigenous people in remote areas.

While it plays an important role in many communities, CDEP can do more to help Indigenous people make the transition from welfare to mainstream employment. CDEP needs to be a stepping stone to greater economic participation rather than a destination in its own right. As CDEP organisations learn to make better use of the assistance available from other programs and services, they will be able to achieve better results for their participants and for their communities.

In April 2005 the Government released *Building on Success: CDEP Future Directions*. This document outlines the Government's agenda for supporting CDEP participants into work off CDEP payments, or more focused participation on addressing the issues and needs identified by Indigenous communities.

From July 2005, a number of changes to CDEP are being implemented. These changes include:

- Maintaining and building on the flexibility of CDEP with each CDEP organisation providing a unique mix of employment, community activities and business development;
- A stronger emphasis on performance in employment, meeting the needs of communities and business development;
- A new funding model with emphasis on funding going to activities;
- A stronger partnership being built between the Department of Employment and Workplace Relations (DEWR), CDEP organisations and other service providers to improve results; and

- Negotiations with CDEP organisations to reduce the number of non-Indigenous participants in CDEP.

Improving employment outcomes through CDEP will involve making better linkages with Job Network providers but also taking better advantage of Indigenous Employment Centres and the CDEP Placement Incentive. Over 2000 CDEP participants have been placed in employment outside of CDEP since the inception of the initiative.

Under the CDEP Placement Incentive, CDEP organisations receive a cash payment of up to \$2,200 for each participant who leaves CDEP and goes into ongoing employment for at least 20 hours per week. Currently, CDEP organisations receive an initial payment of \$700 when the participant commences work and a further \$1,500 after 20 weeks of non-CDEP employment. From 1 July 2005, this will change to \$550 on job placement and \$1650 after 13 weeks of non-CDEP employment. DEWR is also seeking to increase the promotion of the Placement Incentive to ensure CDEP organisations are aware of their entitlements.

Indigenous Youth Employment and Training Initiatives

Many Indigenous people in remote areas who receive Newstart or Youth Allowance are currently exempt from participation requirements because jobs and services are not available where they live. With more services now available in remote areas through the Job Network, Centrelink Personal Advisers and under Community Participation Agreements, it will be possible in more communities to make participation a condition of payment, as it is in other parts of Australia.

A trial to lift the Remote Area Exemption for activity tested income support recipients in up to 10 Indigenous communities is jointly managed by DEWR and the Office of Indigenous Policy Coordination and has just commenced. Centrelink is playing a key role in ensuring that community members are aware of their requirements to participate and following up those people who do not participate, when requested. It is expected that the trials will be finished and evaluated in 2005. Following the trial Government will give consideration to what support needs to be in place to remove the Remote Area Exemption across remote and regional Australia.

The Government's new Indigenous Youth Employment Consultants initiative aims to improve the prospects of young Indigenous students successfully moving from school to work. Located with Job Network providers, the consultants will work with families, communities, local schools, vocational education and training providers and local business to support young Indigenous jobseekers.

Indigenous young people are also able to access mainstream programs and services including:

- The Job Placement, Employment and Training Program which assists young people who are homeless or at risk of homelessness to achieve greater social and economic participation;
- Encouraging the mentoring of young people, particularly those at greatest risk of disconnection from their families, community, education and work through the Mentor Marketplace Program;
- The Reconnect Program to provide early intervention and support for young people aged 12 to 18 years who are homeless or are at risk of homelessness, and their families;
- The Youth Activities Services and Family Liaison Worker Programs to support young people and their families to encourage self-reliance, strengthen family relationships and encourage community involvement;

- The Jobs Pathway Program which provides focused, individual assistance;
- The Structured Workplace Learning Program to support young people by providing work placement coordinators, who promote initiatives with local communities to facilitate local employment solutions; and
- The Australian Network of Industry Careers Advisers initiative. This will enhance career and transitions support for secondary school students.

Boosting education and training participation

To accelerate the closure of the educational divide between Indigenous and non-Indigenous Australians, the Australian Government is providing a record \$2.1 billion funding for Indigenous education in 2005–2008. The approach is to:

- Provide greater weighting of resources towards Indigenous students of greatest disadvantage – those in remote areas;
- Improve mainstream service provision for Indigenous Australian students, particularly those in metropolitan areas;
- Redirect resources to programs that have demonstrably improved outcomes; and
- Develop a whole-of-government approach to education delivery.

The Australian Government assists Indigenous Australians through a number of education and training and career and transition initiatives to overcome barriers and engage or re-engage in education. This support facilitates access to multiple pathways including employment opportunities. Some of the major initiatives include:

- The provision of ABSTUDY, through Centrelink, that provides a means-tested living allowance and a number of supplementary benefits for eligible Indigenous students to stay at school and go on to further studies;
- Funding provided to Universities through the Indigenous Support Program that meets the special needs of Indigenous Australians in higher education;
- The Indigenous Education Strategic Initiatives Program, that provides supplementary recurrent assistance to education providers, and supports significant national initiatives with an emphasis on Indigenous students in remote areas (including the Scaffolding approach to teaching literacy, progress coalitions with school principals to champion Indigenous education, and the English as a Second Language – Indigenous Language Speaking Students Program);
- Indigenous Education Direct Assistance, which aims to accelerate improved outcomes for Indigenous students through tuition assistance. It provides in-class tuition to more than 45,000 students, and other assistance including intensive tutorial support and homework centres; and
- The Indigenous Youth Leadership Program and the Indigenous Youth Mobility Program that provide scholarships and assistance for young Indigenous people from remote areas to access education and training in cities and regional centres with the support of their families and communities.

Other initiatives include:

- The Jobs Pathway Program (JPP), which provides focused, individual assistance directed to the individual and cultural needs of young people aged 13 to 19 years who are at risk of not making a smooth transition through school, and from school to further education, training, or employment opportunities and active participation in the community. JPP provides assistance for Indigenous Australians as they are one of the target groups that providers are contractually required to assist;
- The Partnership Outreach Education Model Pilot provides young people aged 13 to 19 years who have become disconnected from mainstream education, and often their families and communities, with comprehensive and flexible learning opportunities delivered in appropriate community-based settings, that lead to accredited qualifications;
- The Structured Workplace Learning Program, which is currently delivered through Local Community Partnerships (LCPs), is an initiative that provides students with structured learning opportunities in the workplace usually as a component of a Vocational Education and Training (VET) in Schools course undertaken by senior secondary students. The placement provides on the job training and mentoring that develops the students' technical and generic employability skills;
- Expanding the role of the Australian Government's national network of LCPs beyond the delivery of structured workplace learning opportunities. In partnership with industry and professional career advisers, LCPs will assist students to understand study and work options through career information, advice, support and planning. They will also facilitate meaningful work experience and promotion of vocational education and training in schools; and
- The development of the Australian Network of Industry Careers Advisers (ANICA) initiative, which was an election commitment and will prepare all young people from 13 to 19 years of age to achieve a successful transition through school, and from school to further education, training and work. The ANICA initiative will enhance career and transitions support for Indigenous secondary school students across the country.

To ensure that Indigenous education is accorded a mainstream education priority, Government education authorities and non-government school systems are now required by the Australian Government to provide an annual Indigenous Education Statement. States, Territories and non-Government school systems will report on operating costs for Indigenous education; initiatives funded through general recurrent grants; their goals for Indigenous education; progress in achieving those goals; barriers faced; and strategies for overcoming those barriers.

Additionally, the Australian Government, in partnership with the Council of Australian Governments, is undertaking the Murdi Paaki trials. This involves working together with Indigenous communities in up to ten regions across Australia to provide more flexible programs and services based on priorities agreed with communities. The aim of these trials is to improve the way Governments interact with each other and with communities to deliver services more effectively in response to the expressed needs of Indigenous Australians.

The Australian Government also supports the continued broadening of course options for students in school and post school to enable young people to develop the necessary skills for their future. The Australian Government recognises that barriers remain to Indigenous students' access to transition pathways and that ongoing steps need to be taken to address this. This includes supporting the development of vocational skills and VET qualifications earlier than Year 10 and providing additional support, mentoring and career guidance for Indigenous students undertaking or considering VET in Schools or School Based New Apprenticeships.

It will take collaborative effort from all levels of government to ensure better Indigenous career and transitions outcomes, including the retention of more Indigenous students to Year 12 or its vocational education equivalent.

Under the Industry Training Strategies Program, the Indigenous stream is intended to support a range of services including advice, assistance, research and promotional activities to peak employer associations, VET organisations, New Apprenticeships Centres, Registered Training Authorities, Indigenous agencies and their communities to support and expand Indigenous people's participation in formal and nationally recognised training programs, specifically New Apprenticeships and Training Packages.

¹ Unless otherwise indicated in text, all figures quoted were the latest available as at 1 August 2005. Where available, seasonally adjusted estimates have been used.

² Productivity Commission, 1999, *Microeconomic Reforms and Australian Productivity: Exploring the Links, Volume 2: Case Studies*, Research Paper, AusInfo, Canberra, Johnston, A, Porter, D, Cobbold, T and Dolamore, R, 2000, *Productivity in Australia's Wholesale and Retail Trade*, Productivity Commission Staff Research Paper, AusInfo, Canberra.

³ Tseng, Y-P and Wooden, M, 2001, *Enterprise Bargaining and Productivity: Evidence from the Business Longitudinal Survey*, Melbourne Institute Working Paper No 8/01, page 28.

⁴ Fry, T, Jarvis, K and Loundes, J, 2002, *Are Pro Reformers Better Performers?* Melbourne Institute Working Paper No 18/02.

⁵ OECD (2003), *Economic Survey: Australia 2003*, Paris

⁶ op. cit. pp: 10.

⁷ NATSEM, 2004, *Prosperity for All? How low-income families have fared in the boom times*, Canberra

⁸ The evaluation is being conducted jointly by FaCS and DEWR.

⁹ To qualify for a bonus, people must register and pass a work test for 12 months from the date of registration. The work test requires that a person work at least 960 hours of each year that they defer Age Pension. As at 31 March 2005, 83,768 people had registered in the Pension Bonus Scheme since it began on 1 July 1998.

¹⁰ The two reports are:

Harding, A and Szukalska, A, 2000, *Financial disadvantage in Australia – 1999, the unlucky Australians*, The Smith Family, Camperdown; and

Harding, A, Lloyd, R and Greenwell, H, 2001, *Financial disadvantage in Australia – 1990 to 2000, The persistence of poverty in a decade of growth*, The Smith Family, Camperdown.

¹¹ ABS, 2004, *Australian Social Trends 2004*, Cat. No. 4102.0, Canberra. Page 143

¹² Harding, A, Lloyd, R and Greenwell, H, 2001, *Financial disadvantage in Australia – 1990 to 2000, The persistence of poverty in a decade of growth*, The Smith Family, Camperdown

¹³ See Bray, JR, 2001, *Hardship in Australia*, Dept of Family and Community Services, Canberra 2001 for a discussion of Australian results and some overseas studies.

¹⁴ Source: ABS, *Australian Labour Market Statistics Catalogue Number 6105.0*, April 2004 and April 2005.

The long-term unemployment rate is the long-term unemployed expressed as a proportion of the labour force.

The unemployment rate is the unemployed expressed as a proportion of the labour force.

The labour force underutilisation rate is the unemployed, plus the underemployed, expressed as a proportion of the labour force.

The extended labour force underutilisation rate is the unemployed, plus the underemployed, plus a subset of persons marginally attached to the labour force, expressed as a proportion of the labour force augmented by the marginally attached persons.

¹⁵ Rates are based on a 12 month moving average as these data are quite volatile.

¹⁶ In this chart a full “minimum wage series” is shown from 1984, this reflects the practice adopted in the Committee’s Report. It is noted that the federal minimum wage (FMW) is equivalent to the C14 rate in the Metals Industry Award. However as the C14 rate only came into existence in September 1989 a fully consistent time series is not possible. The data shown prior to this point, as in the case of the Committee report, is based on backcasting increases in the C10 rate in the Metals Industry Award for the earlier period. Notwithstanding this possible limitation, the decline in the real earnings of low income workers is confirmed by the 5.3 per cent decline in 10th percentile earnings of full-time adult non managerial employees between 1985 and 1996.

¹⁷ Harding, A. & Greenwell, H., 2002, *Trends in income and expenditure inequality in the 1980s and 1990s: a re-examination and further results*, NATSEM, University of Canberra

¹⁸ Revised estimated derived by Department of Family and Community Services. The table presents income data used in Tables 1 and 3 of Harding, A and Greenwell, H, 2002, *Trends in income and expenditure inequality in the 1980s and 1990s – a re-examination and further results*, NATSEM Discussion Paper Number 57. Mean income estimates for the second and third income quintiles in 1984 were not published in the NATSEM paper and the ‘original ‘ figures are a FaCS estimate based upon a replication of the NATSEM methodology.

¹⁹ Keating, M, 2004, *The Case for Increased Taxation* Occasional Paper Number 1, Academy of the Social Sciences in Australia, Canberra

²⁰ Based on eligibility to receive maximum rate Rent Assistance.

²¹ Estimate derived by the Department of Family and Community Services from the 1% Census sample.