

# **BALANCING THE PICTURE ON POVERTY**

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## **1. Executive Summary**

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- The best way to assist hardship is to have a job.
- This Government has overseen a strong growing economy, job growth and implemented a number of effective initiatives to combat hardship.
- The Government Senators dispute the myth that 'Australia is losing the fight for a fair go'.
- Australia has high and rising living standards with the benefits having been shared widely across the community.
- Some Australians do continue to face serious disadvantage.
- This is a result of a number of factors, not just income.
- Simplistic approaches such as broad increases in income support do not identify types of hardship, nor do they address the cause.
- National Poverty summits, jobs strategies or statutory authorities to oversee a National Poverty Strategy are not solutions.
- Solutions cannot be achieved by Government alone.
- Ongoing individual, family, and community commitment and maximizing individual empowerment are integral to improved outcomes.
- The key is economic and social participation for all Australians, both in working age and retirement.

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- There is a need to support and encourage participation, self-reliance and mutual responsibility while assisting those in hardship to improve their situation.
  - In situations where assistance is required early evidence-based targeted intervention works best.

### **CORRECTION**

On page 448 the figures at the bottom of the table have been reversed and should read:

|               |                 |
|---------------|-----------------|
| ALP           | Coalition       |
| \$1.5 billion | : \$2.4 billion |

## 2. Overview

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The Government Senators recognise there are challenges to assist those who are suffering from hardship. It is not something that can or should be solved by more meetings, reference groups, taskforces or creating more bureaucracy but rather having the government continue to make decisions that work to the benefit of those very people. It would be even better if that was to be achieved in a bipartisan fashion.

The Government Senators view the Labor 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. That is a sad outcome for those for whom this inquiry was initiated.

We would have preferred to deal with many of the issues in more detail however the Labor Party Chair denied us a reasonable extension of time after we received a most unexpected 420 page Draft Report. We requested four weeks to adequately consider all that was contained in the Draft but were given a week otherwise the Labor Party was going to table without comment from the Government Senators.

For the Labor Party to suggest that Australia has a '*rapid growth of inequality*' and '*is losing the fight for a fair go*' and '*there is an increasing loss of opportunity*' defies all logic and fact. It is an example of where politics is put ahead of principle.

The Government Senators were hopeful that such an inquiry would have resulted in a report that seriously sought to strengthen the gains that have been made and that, in the best interests of those affected by poverty, there would be a genuine attempt to reach a bipartisan outcome.

The problems of those affected by poverty are not easily defined, categorised or resolved. Their problems are not solved by simply throwing more money at them, expanding non-effective approaches or setting up more Government committees.

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Issues of poor educational attainment, physical and mental health problems, family breakdown, drugs, alcohol, gambling, smoking, illiteracy, disabilities, and indigenous heritage have all been identified, in one form or another, as important drivers of poor outcomes.

It is a statement of fact that Australia has one of the best and most generous income support systems in the world. There are many systems in the developed world whereby an individual has only a matter of weeks on income support (to which they must have already contributed) before that support is cut off. No such scheme has even been part of the Australian ethos.

Australians are extraordinarily generous in providing income support for those who need it but equally their *'fair go'* attitude to life dictates there be a requirement for participation and a system that does not encourage passivity and dependence. The term *'mutual responsibility'* is something to which Australians can relate.

The Government has shown a commitment to welfare reform including reform to assistance to those of working age. It is that commitment which, it was hoped, could have been enhanced with the outcomes of this Report if the Opposition has been prepared to sideline their political hatchery.

The Government senators therefore consider it important to provide a backdrop of what has been achieved since 1996 prior to considering what programs can usefully be enhanced to give some of the more marginalised people a greater opportunity.

While the current system works well for most people, at no stage are we, or the Government, saying that everything that can be done has been done. Far from it. Dealing with the issue of poverty is much more than glib comments such as *"By 1990 no child will live in poverty"*.

The provision of over 1.3 million new jobs, well distributed between full and part time employment and between men and women, has resulted in a massive 30% fall in the unemployment rate since 1996 – from 8.2% to 5.7%.

There have been more real full-time jobs created in the last six months than there was in the last 6 years of the previous Labor government. The benefits of this have had a broad geographic impact; almost half (46%) of local government areas now have unemployment rates lower than 5%, compared with just 16% when the Howard Government came to office. Also, there is now only one labour market region that has an unemployment rate over 10% as against 15 regions in 1996.

The best national jobs strategy is the implementation of government policies which ensure strong economic growth, including low inflation, low interest rates, budget surpluses, a flexible workplace relations system and a tax system which does not penalise entrepreneurial activity.

The Government has paid back \$66 billion of the Labor Government's \$96 billion debt, freeing up \$5 billion a year in interest alone for new and expanded Government services.

Good economic management is not accidental and good economic management is not something that should be taken for granted. The gains that have been made in employment opportunities, real wage increases, low interest rates and low inflation (that benefit rich and poor alike) are all at risk if glib, fanciful and unrealistic targets and programs are instituted.

It must also be recognised that assisting people facing disadvantage is not just a Commonwealth Government responsibility. It is a responsibility that must be shared by all levels of government, by communities, by churches and other altruistic bodies, by business, by families and by individuals. The Commonwealth Government has however sought to support each of these important components of our society. It acts in partnership with state and territory governments on important issues such as disability and housing through Commonwealth-State agreements.

It also must be remembered that the Commonwealth collects the Goods and Services Tax and pays the net value, in full, to the State and Territory governments. The GST provides to the States and Territories \$575 million more than they would

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have received under the previous revenue sharing arrangements. By 2006 that figure will be \$1.4 billion more and will continue to grow.

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.

The worrying thing about such broad recommendations is that no government in the world has ever accepted a figure on a poverty line as setting poverty targets have no real benefit, they are a poor measure and are misleading and measuring poverty through 'income' has found to be inaccurate. The United Kingdom has spent over 12 months trying to come up with a definition of childhood poverty and still hasn't succeeded. There is ample evidence that the sort of income poverty measures incorporated into these targets poorly measure the real outcomes for people and that income based measures are based upon simplistic assumptions that higher taxes and benefits will solve peoples' problems.

Ireland is often quoted as having set 'poverty targets' and yet there is now extensive discussion in community organisations that these 'income poverty targets' have failed to deliver any real tangible benefit. Ironically, between 1994 and 2001, while low incomes rose strongly, Ireland's relative income poverty levels increased from 15% to 22%, as median incomes increased even more strongly.

Below is a list of key indicators that demonstrate the gains that have been made and ones on which the Government senators had hoped Labor would want to build.

**Table 1: Key Indicators**

| <b>ALP</b>                  | <b>Issue</b>   | <b>Coalition</b>      |
|-----------------------------|--|-----------------------|
| 3%<br>(1988-96)             | Annual GDP Growth  | 3.7%<br>(1996-2003)   |
| 1.7%<br>(1988-96)           | GDP per capita   | 2.4%<br>(1996-2003)   |
| 10.9%<br>(1992)             | Unemployment Rate  | 5.7%<br>(2004)        |
| 934,000<br>(1992)           | Number of Unemployed                                     | 583,000<br>(2004)     |
| 7.6%<br>(Mar 1996)          | Female Unemployment                                      | 6.1%<br>(Jan 2004)    |
| 8.6%<br>(Mar 1996)          | Male Unemployment  | 5.4%<br>(Jan 2004)    |
| 11.6%<br>(Mar 1996)         | Youth Unemployment                                       | 9.5%<br>(Jan 2004)    |
| 7.9%<br>(Mar 1996)          | Mature age Unemployment<br>(55- 59 YO)                   | 3.7%<br>(Jan 2004)    |
| 16%                         | Local Government areas with<br>unemployment less than 5% | 46%                   |
| 15                          | Labor Market regions with<br>unemployment above 10%      | 1                     |
| nil                         | Working Credit   | \$1,000               |
| nil                         | Training Credit  | \$800 / fortnight     |
| 141,000                     | Apprenticeships  | 398,200               |
| 17%<br>(June 1989-Mar 1990) | Home mortgage rate                                       | 7.05%                 |
| 4%                          | Average Annual Inflation                                 | 2.4%                  |
|                             | Job creation   | >1.3 million          |
| + 7.6%                      | Average Weekly Earnings                                  | + 16%                 |
|                             | Average disposable<br>household income                   | + 13%<br>(since 1996) |
| -2.5%<br>(1992-96)          | Real Value of Wages                                      | + 6.5%                |
| \$96 billion                | Nation's Debt  | \$29.7 billion        |
| \$5,234                     | Government debt per capita                               | \$1630                |
| \$18.6 billion              | Expenditure on Health                                    | \$31.1 billion        |
| \$2.4 billion               | Expenditure on Gvt. Schools                              | \$1.5 billion         |



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### 3. Poverty

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Concepts of poverty have many dimensions. While some people conceive of it in terms of income, others emphasise levels of consumption, while still others view it in terms of outcomes – what actually happens.

Broader concepts of poverty such as capabilities consider the question in terms that encompass individual attributes, needs and resources – as well as the ability of people to use these.

Research has very clearly shown that when these concepts are measured, to the extent they can be, there is at best little congruence between the approaches. For example, a large group of the people who are seen to be in consumption poverty are not the same as those who have been identified as being in income poverty. Similarly, income poverty poorly identifies those people with the most adverse outcomes. Not only does it describe as being in poverty many who show little if any disadvantage, it defines many as not being in poverty despite the fact they show much more adverse social outcomes than many of those identified as being in poverty.

The issue of income inequality in Australia also needs to be clarified. The Household, Income and Labour Dynamics in Australia (HILDA) survey indicates that claims about the inequality of income and wealth distribution can be misleading. Results of the research show that wealthy households are generally middle-aged working households who have been saving for many years, including building up superannuation and other assets. The median wealth of a household headed by someone in their 50s is around 10 times that of a household with someone in their 20s. This is a reflection of lifecycle patterns in savings and consumption.

Australia also has a high degree of income mobility; meaning that people's income and their wealth change with time. The HILDA survey found that by 2002, 60% of people on the lowest income scale had moved up out of this income bracket.

Simple measures not only give simple and misleading results, they encourage simple 'solutions'. That is not what the Howard Government is about. The Howard Government wants long term, sustainable solutions that will benefit as many as conceivably possible.

Getting more people in jobs reduces the risk of poverty and welfare dependence amongst families with children. Early intervention policies, including investment in early childhood programs and support to youth facing critical lifecycle transitions, and family support services, such as the Commonwealth Financial Counselling Program and the Family Relationships Services Program, also reduce the risk of poverty.

Research conducted by the Department of Family and Community Services shows that young people who grow up in households that rely on income support are significantly more likely than other young people to receive income support themselves in their late teens. Between the ages of 16 and 20 years, young people from income support families were around three times more likely to be receiving income support as young people from middle income families.

Overcoming disadvantage, hardship and poverty is not as simple as giving people a few more dollars in income support, yet this is what income poverty measures and the Labor Party suggest solves the problem.

A result of this is that adopting poverty benchmarks and targets, instead of providing any guidance in how to reduce real problems and address causes, simply encourages governments to pursue policies that reduce the target. Many of the measures are also perverse.

Commonly-used relative poverty measures can suggest that poverty is falling at times when living standards of the poor are declining. They also suggest that higher taxes on middle and higher income earners reduce poverty – regardless of what happens to the incomes of the poor.

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

The Government Senators believe there is a need to avoid creating anymore talkfests or occasions for grandstanding. The views and preferred approaches of different interest groups in this field are already well known – including through the inquiry. What is needed is a better understanding– especially of issues such as multiple disadvantage, early intervention and welfare reform. The Government has been identified as doing many of these.

These include:

- welfare reform consultations
- the funding of the HILDA report and other Social Policy Research, and
- the funding and introduction of *Australians Working Together*.

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.

## 4. Challenges

### *Persons with severe hurdles to employment*

International and Australian research suggests that the most successful approaches to help people improve their prospects of employment include those with incentives that ensure rewards from working and participation requirements tailored to individual circumstances and capacity. This is the basis for welfare reform and the *Australians Working Together* package, including Personal Advisers and the Personal Support Programme.

**Table 2: Initiatives aimed at encouraging participation by people of working-age**

| <b>Initiative</b>                             | <b>Description</b>  |
|---|---|
| Personal Support Program                      | Provides support for people with major non-vocational barriers to participation (implemented July 2002)   |
| Transition to Work program                    | Provides vocational assistance to parents, mature age workers and indigenous job seekers who have been out of the workforce (implemented July 2002)   |
| Training Accounts                             | Funds training for indigenous and mature age job seekers (implemented July 2002)  |
| Training Credits                              | Funds training for job seekers who have participated in Work for the Dole or Community Work (implemented July 2002)   |
| Passport to employment                        | Provides job search support services for Work for the Dole or Community Work participants (implemented July 2002)   |
| Centrelink Personal Advisers                  | Provides participation support for target groups including parents, older workers and 'at-risk' claimants of Newstart Allowance (implemented September 2002)  |
| Better assessment of people with disabilities | Provides better assessment services for the purposes of assessing Support Pension and exemptions from the Newstart Allowance activity test for reasons of temporary incapacity (implemented September 2002) |

|  |  |
|--|--|
| Support for parents                        | <ul style="list-style-type: none"> <li>• Provides additional child care places (implemented September 2002)</li> <li>• Introduction of compulsory interviews where youngest child is aged over 6 and participation requirements where youngest child is aged over 13 years (implemented September 2003)</li> </ul>   |
| Support for older workers                  | <ul style="list-style-type: none"> <li>• Introduction of voluntary interviews for payments without participation requirements, ie Mature Age, Partner and Widow Allowees (implemented September 2002)</li> <li>• Closing off of Mature Age and Partner Allowances to new customers (September 2003)</li> <li>• Introduction of compulsory annual interviews for Widow Allowance recipients (September 2003)</li> <li>• Introduction of a flexible activity test for NSA recipients aged over 50 (September 2003)</li> </ul>  |
| Working Credit                             | Provides incentives to part time work by allowing people to keep more of their income support payment when they receive wages (implemented September 2003)   |
| Support for Indigenous People              | <ul style="list-style-type: none"> <li>• Introduction of Indigenous Employment Centres to provide Community Development Employment Project participants with the skills and experience they need to make the transition into the paid workforce</li> <li>• Centrelink to progressively establish 12 new Remote Area Service Centres located to service remote communities</li> <li>• Research to assist remote communities to identify practical ways for their members to contribute to their families and communities in return for income support through Community Participation Agreements</li> </ul> |
| Language, Literacy and Numeracy Supplement | Assists with costs of attending training courses (implemented September 2003)  |
| Disability places                          | Extra \$160 million for disability employment services (implemented progressively from July 2003)  |

By December 2003 more than 145 000 eligible clients accessed the services of some 750 Centrelink Personal Advisers, and more than 100 000 participation plans have been put in place.

Almost a third of income support recipients experience a common mental disorder (e.g., anxiety, depression, substance-use disorder) in any 12 month period, compared to 18 per cent of the general Australian population. This figure is even greater among some client segments, with almost half of all lone mothers on welfare experiencing mental health problems. Further, these conditions are associated with significant barriers to economic and social participation.

However, most of those experiencing mental health problems do not seek help.

There are a range of programs to help those with severe problems including:

- Disability Support Pension (DSP);
- Reconnect;
- Supported Accommodation Assistance Program;
- Disability Employment Assistance; and
- Personal Support Program.

However, recent research shows a worryingly high prevalence of less severe, but still disabling, mental health problems among income support recipients, especially lone mothers.

The Government Senators note the Government is developing targeted interventions for these, based on recommendations from the Centre for Mental Health Research.

Training does have an important role in improving hardship, but it is not a universal panacea. Simply to call for more training ignores the wide range of different approaches needed.

The Government has adopted many strategies including work for the dole, access to childcare, improving incentives and through personal advisors to ensure that balance is right and meets individual's needs. Work for the Dole has provided 40 000 man years of valuable work experience, 15 000 community projects and 0.25 million Australians contributing benefits to their communities and adding to their work experience.

The Government, in 2003, has also almost doubled the number of apprenticeships created compared with 1996.

International evidence from programs to improve employability through education, training and subsidised work tends to be mixed. Programs which are more employment-focused do improve employment outcomes. Program outcomes vary, often depending on the individual's circumstances, including their level of disadvantage, skills, education and training, and access to suitable labour markets.

There is evidence that community work programs may deter some clients from continuing on unemployment payments, instead inducing them to leave that payment rather than undertake the program. Evidence also suggests some participants in the community work programs may become 'attached' to the program and consequently reduce their likelihood of gaining employment while on the program.

***Recommendations:***

- 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.

### *Interaction between minimum wage and labour demand*

Under this Government average weekly ordinary time earnings for a full-time adult male are currently \$993.30.

- this is a real increase of over \$145 per week since 1996
- a total growth of 17.1%
- and an annualised compound growth rate of 2.1%.

For women the rate of growth is even faster

- 18.8% over the period February 1996 to November 2004
- an annualised growth rate of 2.2%.

These growth rates are substantially above those recorded in earlier periods.

The \$145 per week increase in real earnings between February 1996 and November 2003 (a period of 7<sup>3</sup>/<sub>4</sub> years) compares with just a \$45 per week gain in the 12<sup>1</sup>/<sub>2</sub> years from November 1983 to February 1996.

The annual growth rate for males of 2.1% over the later period compares with just 0.5% for the period under Labor.

For women the rates are 2.2% and 0.7% respectively.

Since 1998 ABS have produced living cost indexes which consider the impact of prices on different groups in the community. These show that the impact has been relatively uniform, and in particular that the experience of income support recipients has been similar to that of the rest of the community.

Since March 1998 the maximum single rate of age pension has increased by \$36.40 a fortnight more than it would have done under the previous tax system. The effect of these measures has been to increase the real rate of pension by more than 7% above the CPI increase between March 2000 and September 2003. The Australian



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minimum wage is amongst the highest in the world, both relative to other earnings and in real terms. It has also grown substantially over recent years.

A high minimum wage minimises the risk of having a large body of working poor, it ensures there are reasonable financial incentives to take a job and it gives employers an incentive to maintain workers' productivity by investing in them.

However, it definitely makes entry or re-entry into the labour market more difficult for some groups – especially the young unskilled. Employers will not take on someone whose expected productivity is not high enough to justify the cost of employing them. As no pay is clearly a bigger contributor to disadvantage in Australia than low pay, unwarranted increases in minimum wages are likely to increase rather than reduce the level of disadvantage in the community.

Low-wage families with children have their wages supplemented by family payments. While the current Federal Minimum Wage is around \$431 per week, the net total income of a minimum wage couple household that is renting, with a single income earner and two children, is around \$680 per week. - \$130 to \$250 a week above the commonly used poverty lines for such a household.

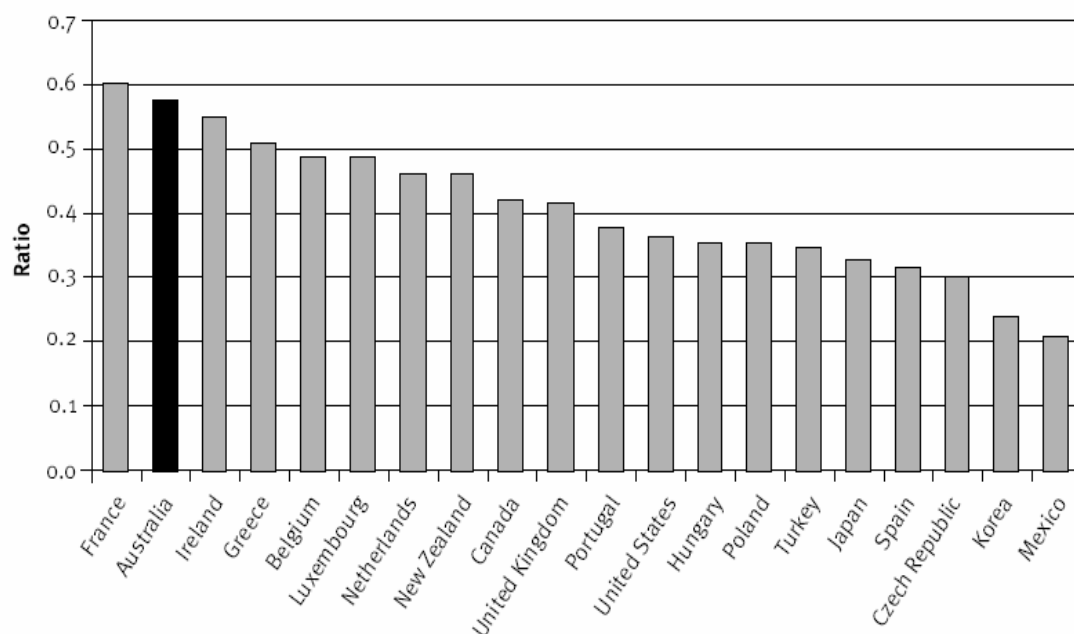
Similarly, for a single person, a full time minimum wage should put them some \$70 to \$150 a week above the usual poverty lines. Even where a person is employed part-time, the interaction between income support and earnings is such that they usually should be well above these poverty lines. Some minor exceptions may arise to this for some youth in particular living circumstances working short hours or at junior rates.

Despite this some survey-based estimates talk of the 'working poor'. Analysis of these cases in the survey strongly suggests this reflects poor recording of income in such surveys. These cases usually record implausibly low hourly rates of pay (well below the minimum wage) or levels of family payments and income support well below the rates for which such a household would be eligible. It should be noted that much of the rhetoric around the working poor reflects the situation in the United States of America. Attempts to draw parallels between low waged employment in

that country and in Australia are very misleading. For example, in the US the minimum wage is \$US5.15 an hour and excludes entitlements to leave. For a 40 hour week this gives a gross income of \$US206 (less 10% tax), compared to their official poverty line of \$US178.

At current exchange rates the Australian minimum wage is about \$US340. In contrast to Australia, where very few people (around 2%) are employed on the minimum wage, large numbers of jobs are paid at this rate in the US.

For most job seekers, unemployment is a transitory phase. However there are people who, once they become unemployed, find it difficult to obtain suitable employment. The social safety net performs a vital function as it provides unemployed people with income and a variety of other support to help them meet basic living expenses. It also provides a range of incentives and obligations to help them actively participate in the community and so limit the amount of time they need to be on income support. An appropriate balance of obligations, assistance and incentives is essential for encouraging participation. This needs to be supported by a fair but firm compliance regime with penalties for non-compliance.

**Table 3: Minimum Wages Internationally****Figure 22:** Main OECD countries: minimum wage as a proportion of median weekly full-time earnings, late 1990s

Source: Keese, M and A. Puyroyen (2001, forthcoming)

### Recommendations:

- The Government Senators recommend that we do not return to unnecessary government intervention in the form of outdated labour market programmes, 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.

The Government Senators recognise that Australians may be in possession of large assets without having a large income stream.

Income support payments are means tested to make sure that they go to those in most need. People with substantial assets, apart from the home in which they live, are generally expected to use these assets to support themselves rather than rely on other taxpayers for support.

However, the system has special provisions to help where this is not reasonably feasible. There are hardship provisions that can allow assets to be disregarded. Where this does not apply, the Pension Loans Scheme allows people to effectively borrow against their assets for their lifetimes.

Further, the Government also provides extra concessions for retiring rural people, such as the foregone wages provisions, the aggregation rules, and concessions that allow retiring farmers to hold their farm in a trust so they can hand over the farm to the next generation without having their pension affected.

Under the assets test a pensioner's home is exempt from the assets test. However, where the home is on more than 2 hectares (5 acres), the value of the land in excess of the 2 hectares (called curtilage) is included as an assessable asset for the purpose of the assets test. Where the value of the principal residence is in excess of allowable curtilage it is likely to affect a person's income support payment.

The Government Senators recognise some farmers, in particular, may be under hardship. Special hardship provisions exist that assist Australians who have assets that they are unable to sell, are in the processes of selling, or which it would be unreasonable for them to sell.

The Government also assists rural young people through access to additional benefits such as Rent Assistance and Fares Allowance.

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**Recommendations:**

- 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.

**Participation**

More Australians are working than ever before - the proportion of the adult population in paid work is at record highs (61% in January 2004). Both men and women have increased their participation since 1996, although the increase has been much stronger for women than men – a continuation of trends going back to the 1960s. The growth in opportunity has also meant that those who work are working longer hours.

However, the decline in men's labour force participation, and especially older men's participation, which was a feature of the decades leading up to the mid 1990s, appears to have stopped and even reversed in the last ten years. While some of this may be the fruits of strong economic growth, there is reason to hope that the measures the government has taken to encourage older men to stay working have begun to take effect – the employment rate of men aged 55-64 has risen from 55% to 61% since 1996.

As the Treasurer's recently released *Demographic Taskforce Paper* highlighted, the challenges of increased social spending as a result of an ageing population need to be addressed. A 2% increase in participation of the nation's population in the workforce would result in a 9% increase in the nation's GDP. Labor's opposition to creating an environment whereby people over the age of 55 can work longer if they choose (either part or full-time) ignores the desire of those concerned and overlooks the possible poverty impacts in later life. That, we believe, was what we were aiming to overcome.

Many recommendations of the Majority Report involve simply greater expenditure on new programs or existing ones. The Report as a whole is not a responsible response in light of the Treasurer's *Demographic Taskforce* paper.

Part time hours are popular with working Australian women – 45% of them work less than 30 hours per week. This is one of the highest proportions in the world.

The evidence strongly suggests that most of those working part time do so because they prefer to – it allows them to balance work, family responsibilities and leisure. More people of all working age now have greater choice, and the Labor Party (it would be hoped) would stop wanting to remove or belittle that choice.

Youth (15-19 years) unemployment has fallen from a high of 29% in 1993 to 17%. This is still too high, but it must be remembered that the unemployed are only about 9% of the 15-19 population – many of the rest are studying full time.

Issues surrounding children who have to leave their homes because of parental violence are complex and variable.

Under Youth Allowance, young people who leave the parental home due to parental violence or abuse are treated as independent as it is unreasonable for them to live at home. Specialist assistance is offered by Centrelink Social Workers.

There are also several special programs to help youth:

*Reconnect*

This provides early intervention support for young people, aged between 12 and 18 years, who are homeless or at risk of homelessness, and their families. There are 98 Reconnect services operating across Australia. In 2002-03 they helped 11,392 young people and their families.

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### Job Placement, Employment and Training Program (JPET)

JPET offers ongoing support and referral services to young people overcoming a range of problems, including housing, substance abuse, family difficulties, sexual or other abuse, lack of self-esteem, reliance on income support, and other barriers to employment, education or training. The program helps over 14,000 eligible young people each year.

### Youth Activities Services (YAS)

The Youth Activities Services Program supports young people (aged 11–16 years) and their families to build self-reliance, strengthen family relationships and encourage community involvement. The program provides after school activities that are both creative and challenging and also have an aspect of positive peer support. There are 91 YAS services currently operating.

Transition to Work (TTW), which commenced on 1 July 2002, is a key component of assistance for people returning to the workforce. The primary objectives of TTW are to provide preparatory assistance that builds self esteem, addresses confidence issues and improve individuals' prospects of obtaining paid employment through assessment, skills training, support and advice on how to get into the jobs market. For some it will be the first step in their return to paid employment.

### ***Recommendations:***

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.

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*Breaching*

The Howard Government was extremely concerned about the Labor Government's breaching policy in which people had all benefits removed if they failed to meet any of their activity requirements.

There was a need for a change that was fairer so the Howard Government has done extensive work in this area in the quest to minimize potential adverse impacts of breaching on vulnerable job seekers.

As a direct result of administrative improvements and policy changes, breach numbers reduced by 30% in 2001-02, and 50% in 2002-03 and this trend continues. Job seekers are now also given 14 days notice before a breach penalty commences, **compared to a 'no notice policy'** under Labor. This gives job seekers more warning before they start to receive reduced payments and is one of the recommendations from the Ombudsman's Review.

***Recommendations:***

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

***State and Territory issues***

The States have a poor record on child protection issues, as a long succession of scandals have indicated. There is little doubt that the justice and (Commonwealth-funded) welfare systems are having to bear the burden of decades of inadequate resourcing and poor management in this area. The neglect by the states of early childhood intervention is one motive for the Australian government now diverting funds to this.



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A number of Australian Government initiatives recognise the costs incurred by people with disabilities. Assistance includes:

- concessions linked to the Pensioner Concession Card
- cash payments (e.g. Mobility Allowance, Pharmaceutical Allowance)
- tax relief (e.g. the Medical Expenses Offset);

The Government currently funds approximately 430 non-government organisations to provide employment assistance services to people with disabilities nationally. The Government also funds Commonwealth Rehabilitation Service Australia (CRS) to provide vocational rehabilitation services nationally.

In 2002-03 a total of 64,639 people with disabilities were assisted by disability employment services at a cost of \$303.7 million, and a further 35,892 were assisted by CRS Australia at a cost of \$113 million. The Government also funds a range of employer incentive programs that seek to encourage and assist employers to employ people with disabilities that include wage subsidies, a workplace modifications scheme, the Supported Wages System and a Disability Recruitment Coordinator function.

The State and Territory Governments have responsibility for the planning, policy setting and management of accommodation support for people with disabilities. However, we understand the Australian government is very concerned for the accommodation needs of people with disabilities. The Australian Government provides substantial funds to states and territories towards meeting their responsibilities, and the latest version of the Agreement includes strong reporting requirements so that all parties – and people with disabilities and their families – can satisfy themselves that state governments are doing the right thing by people with disabilities. Bilateral agreements with each state and territory include strategies to improve systems for balancing long-term accommodation demand with other early intervention.

Poor urban planning, public housing policy and transport infrastructure have created pockets of disadvantage in the major capital cities and in some regional areas. Once

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created, these 'poor neighbourhoods' are a difficult problem to remedy, as they set up vicious circles of low aspirations, low education and low employment.

Housing is primarily a State Government responsibility to which the Commonwealth makes a contribution. Many of the issues associated with the cost and availability of housing are local and better addressed at that level. For the 2003 Commonwealth State Housing Agreement (CSHA), the Australian Government is providing around \$4.75 billion over five years. About \$3.72 billion of this will be provided as base funding which is primarily used for public housing. This will allow five years of fiscal certainty for States and Territories to provide housing assistance.

The CSHA assists around 400,000 households. The 2003 CSHA features indexation for the first time. Currently around \$1.9 billion is provided per annum for Rent Assistance supporting around 940,000 families / individuals.

The development of the Government's programs for housing assistance, the CSHA, the Rent Assistance Program for the private rental market, and support for home ownership through the First Home Owners Grant scheme, have ensured that the broader issues of welfare and support services, employment, the housing industry, taxation, and other national objectives are being taken into account.

The most important element of the government's present strategy for homelessness is to develop people's capacity, especially through Personal Advisers and the welfare reform agenda. The Australian Government response to homelessness is being coordinated under the National Homelessness Strategy, which recognises that homeless people have many different needs and therefore need a range of responses. The Strategy is underpinned by Supported Accommodation Assistance Program and includes a number of targeted initiatives, such as the Family Homelessness Prevention Pilots.

States and Territories have promoted gambling as a source of revenue. Their revenue from gambling has grown enormously since 1992. Given the issues of transparency and reporting standards for gambling revenues and related

programmes in the states, it is difficult to ascertain precise information on State and Territory expenditure on gambling support services.

Estimates of the amount spent on problem gambling services as a proportion of total gambling revenue range from .04% in WA to .49% in SA – neither of which is a substantial part of the revenues raised through gambling activities. Spending levels on problem gambling services do not reflect the growth in revenue from gambling or in the numbers of people experiencing gambling problems.

|   | NSW     | VIC     | QLD     | SA      | WA      | TAS     | ACT     | NT                       | TOTAL    |
|---|---------|---------|---------|---------|---------|---------|---------|--------------------------|----------|
| <b>Per Capita Gambling Expenditure 2001-02</b> (dollars)                                  | \$1,211 | \$1,180 | \$842   | \$784   | \$469   | \$726   | \$966   | \$1,576                  | \$1,016  |
| 2000-01   | \$1,197 | \$1,146 | \$808   | \$735   | \$464   | \$660   | \$966   | \$1,250                  | \$988    |
| Gambling expenditure as a % of household disposable income                                | 3.83%   | 3.81%   | 3.19%   | 2.95%   | 1.64%   | 2.95%   | 2.42%   | 4.45%                    | 3.41%    |
| <b>Total Gambling Expenditure</b> 2001-02 (millions)                                      | \$6,047 | \$4,365 | \$2,306 | \$909.6 | \$673.4 | \$256.4 | \$231.3 | \$216.9                  | \$15,005 |
| <b>State/Territory Govt. Revenue</b> (millions) 2001-02                                   | \$1,201 | \$1,370 | \$555.9 | \$306.2 | \$223.5 | \$64.1  | \$47.2  | \$34.7                   | \$3,803  |
| State/Territory Govt. Revenue Estimate of GST Relativities – Gambling (millions)          | \$558.4 | \$413.2 | \$207.5 | \$86.2  | \$60.1  | \$24.5  | \$21.3  | \$14.5                   | \$1,386  |
| <b>Total Revenue</b>  | \$1,759 | \$1,783 | \$763.4 | \$392.4 | \$283.6 | \$88.6  | \$68.5  | \$49.2                   | \$5,189  |
| <b>Revenue Change 10 yrs</b>  | 91%     | 206%    | 162%    | 194%    | 63%     | 110%    | 77%     | 270%                     | -        |
| <b>Expenditure Change 10 yrs</b>  | 122%    | 293%    | 134%    | 172%    | 31%     | 116%    | 78%     | 281%                     | -        |
| Estimated current percentage of gambling revenue expended on problem gambling services ** | .29%    | .46%    | .24%    | 0.49%   | 0.04%   | .4%     | .16%    | Not possible to estimate |          |

**Table 4: State Gambling Revenue**

State and Territory **revenue** from gambling has **increased markedly** over the period 1992-93 to 2001-02.

- Victorian revenue growth increased by a massive 200% from \$581.3 million to \$1.7 billion.
- In NSW, revenue growth was 91% from \$918.2 million to \$1.7 billion.
- Queensland revenue growth was 162% from \$290.7 million to \$763.4 million.

- South Australia had a similar revenue growth rate of 194% from \$133.3 million to \$392.4 million.
- WA revenue growth was 63% from \$173.5 million to \$283.6 million.
- Tasmanian revenue growth was 110% from \$42.2 million to \$88.6.
- ACT revenue growth was 77% from \$38.7 million to \$68.5 million.
- NT revenue growth was an enormous 270% from \$13.3 million to \$49.2 million.

The Australian Government has led the way in addressing these problems. It has already

- committed \$8.4 million for research and to raising public awareness of problem gambling
- established the Ministerial Council on Gambling

### ***Recommendations:***

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.

### ***Credit card and social disadvantage***

Across the Australian community, the incidence of ongoing credit card debt is surprisingly low. However, it is a problem for a minority of people - not all of them low income. A recent study of ABS data found that having credit card debt is only weakly

associated with measures of serious financial hardship. Where such debt and hardship are found together, the household is often found to be suffering serious cash flow problems that indicate poor financial management of limited resources. In contrast, many elderly households are found to have low incomes but are yet living quite comfortably.

This suggests that financial education has an important role to play in reducing the incidence of real poverty, and conversely that raising the cash incomes of the poor may not be sufficient to lift them all out of hardship.

The Government Senators support the development of the Government's *National Consumer and Financial Literacy Taskforce* and look forward to its recommendations in August 2004.

***Recommendations:***

- 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

***Indigenous Australians***

The Australian Government has shown a commitment to working more closely with Indigenous communities in establishing mutual obligation strategies and developing sustainable partnerships. Policy development and program delivery are engaging more directly with local Indigenous communities in the identification of priorities, consideration of local needs, capacity, participation and disadvantage. A significant example of participation is the implementation of the Indigenous Community Coordination Pilots (ICCP), which have been established in each State and Territory. ICCP is a Council of Australian Governments (COAG) initiative and is based on the development of partnerships between the local Indigenous communities, the Australian Government and State/ Territory Governments. The extent of poor outcomes for Indigenous Australians has been identified in the report to the Steering Committee for the Review of Government Service Provision, titled “*Overcoming Indigenous Disadvantage: Key Indicators 2003*”. This report confirms that Indigenous

Australians continue to experience marked and widespread disadvantage.

Indigenous Australian disadvantage is compounded by the extensive diversity within the Indigenous community related to culture, language, literacy, environment and regional isolation.

***Recommendations:***

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
- assist with the transition from welfare to work

Senator Sue Knowles (Deputy Chairman)  
Liberal Party, Western Australia

Senator Gary Humphries  
Liberal Party, Australian Capital Territory