



ABN 28 000 030 179

Christine McDonald
Acting Committee Secretary
Community Affairs Legislation Committee
Australian Senate
Parliament House
CANBERRA ACT 2600

16 November 2005

Dear Ms McDonald,

RE: Employment and Workplace Relations Legislation Amendment Bill 2005

Thank you for your invitation to comment on the provisions of the above Bill (hereafter referred to as 'the Bill').

The Smith Family is a national, independent, social enterprise that supports disadvantaged children and their families to create a better future through education. Our vision is of a more caring, cohesive Australian community, and helping to facilitate the inclusion and participation of disadvantaged Australians within the workforce is an important component of our work.

The past few years have seen a concentration of attention around the problem of Australia's ageing population, sharply brought into focus in 2002 by the relevance of the Treasurer's Intergenerational Report (Commonwealth of Australia, 2002) and the more recent Productivity Commission's report on 'The Economic Implications of an Ageing Australia' (Australian Government Productivity Commission, 2005). Both reports stress the need for greater participation in the workforce, and The Smith Family recognizes the proposed legislation amendments tabled in the Bill as a significant step towards meeting this need. Recognising the impact of global and local labour market shifts, The Smith Family has continually focused its program initiatives to assist disadvantaged Australians in acquiring skills to participate in the new knowledge economy. Our flagship *Learning for Life* program currently supports over 22,000 students across over 60 communities nationwide, and provides education support, financial scholarships and role model guidance through mentors from birth through school to work / further learning transitions. To this end, we welcome the intentions of the Bill in seeking to reduce welfare dependency and facilitating the creation of an independent, confident workforce competent to negotiate family friendly workplace agreements.

A preventive approach to reducing welfare dependency

Research by The Smith Family and others has shown that early intervention programs can work towards decreasing the number of individuals reliant on income support, with education critical in enabling people to become 'self-reliant' and in facilitating 'social inclusion'. Poverty is well recognised as being intergenerational, but access to quality and productive education may lead to upward socio-economic mobility; thus overcoming the need for / instance of welfare dependency. The evidence suggests that this longer-term strategy for increased workforce participation and social inclusion can be facilitated through engaging individuals in lifelong learning. Better educated people generally have higher rates of workforce participation,¹ which makes it critical that any amendments to the welfare system contribute to cultivating a community where learning and employment are tools for contemporary living, rather than luxuries.

In this respect, we welcome the proposed investment of over \$2 billion in new and expanded services such as the Employment Preparation and Pre-Vocational Participation Account initiatives, which aim to provide skills training and learning courses to assist parents, carers and people aged over 50 in managing the transition (back) into work. However, there remain a number of issues of concern, namely:

- The adequacy of these employment preparation initiatives, which the Treasurer himself describes as 'limited short interventions',² in raising the ability and confidence of those previously vulnerable / marginalised to successfully negotiate a satisfactory workplace agreement with their employer.
- The capacity for individuals returning to the workforce without formal education qualifications to compete for employment other than low-skilled, low-waged and insecure posts, despite the temporary Wage Assist program tabled in the Bill to encourage employers to hire long-term unemployed individuals. Recipients of the Disability Support Pension (DSP), of whom the majority are mature-aged, are particularly likely to struggle in this respect, in light of the many practical restrictions (wheelchair access, appropriate transport) that already limit their choices.³
- Recent research has suggested that current competition for jobs is very intense due to relatively high levels of overeducation in Australia, which leads to less skilled workers being bumped down into low-skilled, low wage positions or crowded out of the labour market entirely.⁴ Studies of temporary, part-time placements have also suggested that these low-skilled placements, usually undertaken by individuals who have no high-school qualifications, are likely to be unproductive and even detrimental to their long-term employment success and earnings.⁵
- Unemployment is higher in regional and rural Australia, and many individuals affected by the proposed welfare reforms (e.g. single parents) would find it hard to secure the work hours necessary to fulfil the activity test. In fact, research has suggested that by moving to a non-metropolitan area, single parents on income support reduce their short-term job prospects by about half.⁶

¹ Australian Government Productivity Commission (2005), pXIX.

² Welfare to Work Package press release, 10 May 2005.

³ 'Final Statement from Three National Women's Secretariats regarding the Welfare to Work impacts on people with a disability', released 13 September 2005 by The Australian Women's Coalition, Security 4 Women and WomenSpeak.

⁴ Linsley, I. (2005) *Causes of Overeducation in the Australian Labour Market*. University of Melbourne Department of Economics, Research Paper No.940, June 2005.

⁵ Autor, D. & S. Houseman (2005) 'Do Temporary Help Jobs Improve Labour Market Outcomes for Low-Skilled Workers? Evidence from Random Assignments'. National Bureau of Economic Research Working Paper 11743, USA.

⁶ Marshall et al, (2003) *Welfare outcomes of migration of low income earners from metropolitan to non-metropolitan Australia*. Australian Housing and Urban Research Institute (AHURI), February 2003.

Therefore, strategic investment in social support would be more effective in the long run by a more comprehensive reorientation to reflect the body of evidence supporting preventive and early intervention initiatives. Society, community, families and individuals will all receive greater benefit from a proactive, preventive and educational, solution-focused social support system. Channeling resources into parental education, early childhood intervention, high school retention rates and improving access to tertiary education will significantly decrease the amount of money the nation spends on income support.

For this to happen, and to maximize the long-term independence of individuals affected by the Bill, participation in the workforce should go beyond the mere status of employment; individuals must be provided with the strongest possible opportunity to enable effective participation economically, socially, and developmentally. Developmental participation relates specifically to how individuals foster personal growth and development, and is akin to the lifelong learning that The Smith Family seeks to facilitate.

Ensuring an appropriate work / family balance

Our research and that of others has shown that employment has significant positive benefits for individuals in terms of their health, economic and developmental wellbeing.⁷ The relationship between the workplace and the family home has, however, become increasingly complex through the advance of communications technology and the global market. Australians are now working longer and longer hours, and many are giving up their annual leave entitlements in response to the changing workplace expectations and cultures.⁸ Parents have less and less time to devote to their children and families – a shift that one Australian children’s organisation described as potentially being ‘more threatening to the long term future of our country than any other perceived threat’.⁹ Parents significantly shape their children’s development and thus they influence the life outcomes of children. The concern is therefore that low income, low-skilled parents are more likely to take on jobs with long or unusual hours than those with stronger qualifications to negotiate with, and that this may result in children missing out on parental help for homework, family holidays and more broadly, parental support during key transition stages in their lives.

The measures tabled in the Bill present a significant change to the way individuals currently balance their work / family commitments. Although they are intended to bring about enhanced flexibility and the promotion of mutually beneficial arrangements for employer and employee, the increasing deregulation of the workplace may in fact render low-skilled individuals more exposed and vulnerable to exploitation and job insecurity. The Bill itself makes little reference to the potential impact of its reforms on family life, perhaps assuming that the supposedly increased monetary benefits of employment more than compensate for this. In fact, studies have shown that the majority of young people in Australia want more time with their parents rather than more money through more parental work. This is true of boys and girls from a dual earner and single earner couple households as well as single parent earner households.¹⁰

⁷ The Smith Family (2003) *Youth Unemployment in Australia – A Contextual, Governmental and Organisational Perspective*. Report by The Smith Family for the AMP Foundation, November 2003; Carroll, N. (2005) ‘Unemployment and Psychological Well-Being’, The Australian National University Centre for Economic Policy Research, Discussion Paper no.492.

⁸ *Families Australia* Bulletin No.5, Winter 2004.

⁹ National Investment for the Early Years (NIFTEY) (2005) Letter to The Hon John Howard in response to the Welfare-to-Work package of reforms, November 13, 2005.

¹⁰ Pocock & Clark (2004) *Can’t buy me Love? Young Australians’ views on parental work, time, guilt and their own consumption*. The Australia Institute, Discussion Paper Number 61.

Therefore, while The Smith Family welcomes the additional funding tabled to increase the number of child care places,¹¹ and the recent news that single parents will not have to accept jobs that do not pay enough to cover the costs of child care,¹² we remain concerned that there is not more explicit recognition of, or protection for, the critical importance of family time within the Bill.

Financial implications of the Bill

Since the provisions of the Bill were formally announced on 10 May 2005, a number of reports have been released examining the potential financial consequences for welfare recipients of the changes, notably the shift from Parenting Payments to the enhanced Newstart scheme. The Smith Family, which has conducted extensive research into the financial needs and circumstances of disadvantaged Australians, is particularly concerned at the following findings:

- Newstart is designed for people who are expected to be able to enter the full-time workforce and who have few employment barriers. It is not designed to assist people combine paid work with income support and is more restrictive when compared with the current pension type payment for sole parents.¹³
- After 1 July 2006, sole parent families who go onto the Newstart payment rather than Parenting Payment Single (PPS) will receive a sizeable cut in benefits whether or not they are totally reliant on income support or have some income from part-time work. This is because the Newstart Allowance *maximum payment rate* is about \$29 a week lower than that of PPS, and uses an *income test* that is also much less generous in terms of the marginal tax rate.¹⁴
- Although the Government has recently announced a series of circumstances that might qualify parents for temporary exemption from the 15 hours per week minimum participation requirement,¹⁵ it is important to note that all such parents will still be placed on Newstart Allowance rather than PPS or the Disability Support Pension (DSP). Thus, if they have no private income, they will still be at least \$29 a week worse off in 2006-07 relative to remaining on pension – even for long periods of ‘temporary exemption’.
- The gap between Parenting Payment Single and Newstart Allowance is likely to increase in future years, as the PPS is indexed to movement in average weekly earnings, while the Newstart Allowance is indexed to the (generally lower) Consumer Price Index. As a result, by 2008-09, for example, the maximum payment rate for the Newstart Allowance will be about \$42 a week lower than that of the PPS (as opposed to \$29 lower for the period 2006-07).¹⁶

¹¹ The 10 May 2005 Press Release on the Welfare to Work package commits an extra \$266 million over four years to increase the number of child care places, including 84,300 Outside School Hours Child Care places.

¹² Peatling, S. (2005) ‘Back bench forces child care change’, *The Sydney Morning Herald*, November 7, 2005.

¹³ NATSEM (2005) *The Distributional Impact of the Proposed Welfare-to-Work Reforms Upon Sole Parents*. Report to The National Foundation for Australian Women, 28 August 2005.

¹⁴ NATSEM (2005) *The Distributional Impact of the Proposed Welfare-to-Work Reforms Upon Sole Parents*. Report to The National Foundation for Australian Women, 28 August 2005.

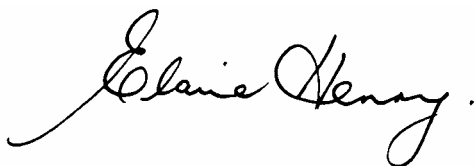
¹⁵ Those groups who may be temporarily exempt from the weekly 15 hours requirement include primary carer parents who are foster carers, distance educators, home schoolers, parents with large families or who care for a child with an illness or disability. In addition, parents who have been subjected to domestic violence will also be temporarily exempt, although it is not clear how this is to be determined.

¹⁶ NATSEM (2005) *Options for Reducing the Adverse Impact of the Proposed Welfare-to-Work Reforms Upon People with Disabilities and Sole Parents*. Report to The National Foundation for Australian Women, 3 November 2005.

Although the Government has recently moved to ease the financial impact of the Bill by giving single parents two extra years on higher welfare payments and providing for 'top-up payments' of around \$20 a week,¹⁷ the fundamental conditions leading to the drop in disposable income remain. The overall effect of these income test and tax changes is thus to reduce the attractiveness of paid work to sole parents, and to reduce the amount of income that they have available to support themselves and their children after they undertake paid work. This decrease will have powerful repercussions for low-income households in Australia, whom our research has shown to devote proportionately more (over 50%) of their total budget to the necessities of life (food, housing and transport) than average or high-income earners.¹⁸ There are over half a million households in Australia comprising a lone parent with dependent children, who received the lowest average equivalised disposable household income (\$329) for any type of household in 2000-2001".¹⁹ It is therefore of significant concern that these and other groups may find themselves further disadvantaged by the reforms outlined in the Bill if passed without further amendment.

In conclusion, while The Smith Family welcomes the Government's efforts to create a more flexible and confident workforce through the introduction of the Bill, there remain key components that need further discussion and potential redefinition if the equitable interests of disadvantaged Australians are to be protected. In particular, we would encourage promotion of a more preventive approach to avoiding welfare dependency through early intervention / education-oriented legislation and provisions that protect and respect the proven contribution of the time families spend together outside work. It is in the spirit of working together with government, non-governmental organisations and all members of the community that I therefore present this submission to the Senate Committee for Community Affairs, in the hope of together creating a more caring and cohesive Australian society.

Yours sincerely



Elaine Henry
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The Smith Family

¹⁷ Lewis, S. & P. Karvelas (2005) 'PM caves in on single parents', *The Sydney Morning Herald*, 7 November 2005.

¹⁸ The Smith Family (2003) *Barriers to Participation: Financial, Educational and Technological*. The Smith Family, March 2003.

¹⁹ Healey (2005) *Wealth and Inequality*. Issues in Society Vol.226: The Spinney Press.