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SENATE

COMMUNITY AFFAIRS REFERENCES COMMITTEE

Reference: Poverty and financial hardship

WEDNESDAY, 30 APRIL 2003

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SENATE
COMMUNITY AFFAIRS REFERENCES COMMITTEE
Wednesday, 30 April 2003

Members: Senator Hutchins (Chair), Senator Knowles (Deputy Chair), Senators Humphries, Lees, McLucas and Moore

Participating members: Senators Abetz, Bishop, Carr, Chapman, Coonan, Crossin, Denman, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Forshaw, Harradine, Harris, Lightfoot, Ludwig, Mason, McGauran, Murphy, Nettle, Payne, Tierney, Watson and Webber

Senators in attendance: Senators Forshaw, Grieg, Humphries, Hutchins, Lees and McLucas

Terms of reference for the inquiry:
To inquire into and report on:

1. a) the extent, nature and financial cost of
   i) poverty and inequality in Australia
   ii) poverty amongst working Australians
   iii) child poverty in Australia; and
   iv) poverty in Australian communities and regions;
   b) the social and economic impact of changes in the distribution of work, the level of remuneration from work and the impact of underemployment and unemployment;
   c) the effectiveness of income-support payments in protecting individuals and households from poverty; and
   d) the effectiveness of other programs and supports in reducing cost pressures on individual and household budgets, and building their capacity to be financially self-sufficient

2. That in undertaking its inquiry, the committee also examine:
   a) the impact of changing industrial conditions on the availability, quality and reward for work; and
   b) current efforts and new ideas, in both Australia and other countries, to identify and address poverty amongst working and non-working individuals and households.
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ATKINS, Ms Carolyn, Policy Analyst, Victorian Council of Social Service

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TUTTON, Mr Sydney Francis, State President Victoria, St Vincent de Paul Society

ZIGURAS, Dr Stephen, Acting General Manager, Brotherhood of St Laurence

CHAIR—I welcome you to the second day of the hearing of the Senate Community Affairs References Committee’s inquiry into poverty and financial hardship. The major part of today’s
hearing will be in the form of a roundtable session involving a range of groups and individuals. This format should facilitate a wide-ranging exchange of views and experiences.

The committee has received your detailed submissions. Rather than asking each group to speak on their submission, a range of subjects and issues has been extracted from the submissions to form an agenda. For each issue, a group has been asked to give a short opening statement. This will act as a lead-in to general discussion, with other groups commenting from their perspective and with senators asking a range of general or specifically targeted questions. Now down to business. Defining and measuring what is understood by the term ‘poverty’ is fundamental to this inquiry. Dr Mendes, could you please get proceedings rolling by addressing this issue.

Dr Mendes—In the literature, two main definitions of poverty are traditionally offered. One is the concept of absolute poverty, which we generally associate with Third World countries, whereby people lack sufficient resources to survive. It is not something we typically talk about in the Western world. In contrast, the notion of relative poverty, which is often associated with what we call a social democratic position, stresses economic inequality as the primary indicator of poverty. According to that notion, poverty is best understood as a condition of relative deprivation or exclusion from normal social and economic activities and participation. That might mean in practice, for example, a young child at school who lacks the resources necessary to buy the school books that are required or to go on school excursions and camps. More generally, it means someone who lacks the opportunities to do the things that general community standards indicate are expected for a decent standard of living. A lot of the debate about relative poverty hinges on poverty lines. Poverty lines are a quasi-statistical device used to indicate how many people live in poverty at a particular time. There is a lot of academic debate locally and internationally about whether to measure poverty using the mean, which generally refers to the arithmetic average, or the median, which refers to the person in the middle who is at the halfway mark between the very poorest and the very richest.

There has been much debate over the years around the Henderson poverty line, which came in in 1973. That set the poverty line in terms of the existing basic wage plus child endowment at that point—in September 1973—for a standard unit of two adults and two children. The concern about the Henderson poverty line essentially has been that it has moved up over time and has incorporated an ever increasing proportion of family income. A recent estimate suggested that it had gone up from 51.4 per cent of average income in 1982 to 57.6 per cent of average income in 1997-98. I think there is a general acceptance that the Henderson poverty line does give an exaggerated view of the level of poverty. Some groups have tried to develop an alternative. One is the Social Policy Research Centre in Sydney, headed by Professor Peter Saunders. I emphasise that there are two Peter Saundereses, as you are probably aware. It is confusing a lot of people, because they are both middle-aged British academics.

CHAIR—Is that where it stops?

Dr Mendes—Yes, you are quite right. The SPRC have developed some indicative budget standards for Australia which focus on the needs of ordinary people rather than specific earnings or income. They have looked at trying to detail the expenditure necessary to fulfil people’s basic needs for food, clothing and shelter, so they have taken a different focus that goes beyond simply
identifying income. I will not go into that more, because I presume you are doing hearings in Sydney and it may well be best advised for them to talk about that in more detail.

The study which has created the most controversy and public debate has been the Smith Family study done in 2001 in conjunction with NATSEM. That study, entitled ‘Financial Disadvantage in Australia’, used a relative measure of poverty. They set the poverty line at 50 per cent of the family income of the average person. According to their study, poverty had increased during the 1990s from 11 per cent to 13 per cent, to the point where, they argued, one in eight people were living in poverty in the year 2000. The way they judged that was they found that, although the income of poor families had increased by $38 per week during that decade, that was only half the rise in average incomes, which had increased by $66 a week. They acknowledged that the average income had been driven up mainly by large increases to the top income earners, who had increased their income by $172 a week on average. So they were saying that, overall, the gap between the poor and those on average incomes had increased from $80 a week in 1990 to $109 a week in 2000.

As you are aware, the Centre for Independent Studies, the neo-Liberal think-tank, have disputed that finding and argued that the real level is actually eight per cent. They have claimed that the Smith Family used a mean average rather than a median average, which would then arguably skew the average because of the impact of the higher income earners. I am a bit reluctant to go into that debate. There may be people here this morning who have more technical expertise in that particular measurement model. Internationally—I have covered some of that debate in my new book *Australia's Welfare Wars*—particularly in English-speaking countries like the US, Britain, Canada, and New Zealand, where what we call ‘neo-Liberal’ policies have been implemented, not only do you have a consistent increase in inequality across the board, but also a consistent increase in poverty. So in regard to any organisation that is arguing that you can separate the two and that you can promote greater inequality, presumably on the basis of arguing that it will promote greater overall economic growth and wealth creation, the international evidence is saying no, that does not happen and the trickle-down effect in general does not work that way.

**Ms Tuohy**—Just to set the scene, I come from Catholic Social Services Victoria, which is the peak Catholic welfare agency, representing approximately 890 agencies that deliver a range of services across child/adolescent and family support, aged care, criminal justice, including support to prisoners and their families, drug counselling, services for people with disabilities, and a range of chaplaincy services in the prison system and health system. We also provide services for people who are homeless and particular services related to women. So we cover a whole range of services. All of these services in some way address poverty and the fallout from poverty, including social exclusion.

It is important to say too that, as a church body which supports and applies principles of social justice, where people are unable to escape the cycle of poverty their human rights are violated. It is very important to state that as our stance. We support a lot of what Philip has said. Something that we recognise as very important is that we need to have some easy to understand, widely promoted and accessible tool for measuring poverty. That would greatly assist people to be more aware, more compassionate, and less blaming and governments, hopefully, will be more mindful of the impact of their policies and reforms on the escalation or the minimisation of poverty. In particular, we have witnessed the embracing of electronic gaming machines and the impact that
has had on poverty. That is one example. It has become the most regressive form of tax revenue in Victoria. That is very much related to a particular approach and direction in which the government went in Victoria.

A very important issue related to measurement is the lack of awareness in the general community about the nature and extent of poverty. Many Australians have no direct experience of poverty and assume—and are encouraged to believe—that, if their living standards have improved, those of people less well off automatically must also be improving. This makes educating, informing and raising awareness of poverty so critical. It is very important therefore that any notions or concepts of poverty measurement be well known in the broader community—and this is a plea. There is a very strong need for an educative process, so that people across the broader community have a greater understanding of the existence and the extent of poverty in Australia.

I have brought with me today—and I will leave copies for all the senators—a report we did in 2000 called *Surviving not living: Disadvantage in Melbourne*. That report outlined the experience of poverty and disadvantage that a number of people who visit our services were experiencing. I commend that report to the committee. I think there is a message there for all of us as decision makers, policy makers and advocates, and that is that we need to listen more attentively to what the poor are saying and what their experience of poverty is.

As Philip was saying, we very much agree that you need to define poverty in relative terms. It is very important to look at the relativity of some people in relation to others. Some people are able to afford and participate in a range of meaningful pursuits and life achievements because of their relative affluence, and a lot of other people just miss out on those opportunities. We have to talk very much about things like relative poverty, relative deprivation and relative exclusion. Perhaps that will help people to better understand what poverty is like in Australia. People also need to understand that poverty is not about being totally without income—again, it is very much about relativity.

Having said all that, it is very important that the inquiry does not become embroiled in definitional issues at the expense of identifying solutions and ways to effectively implement solutions. That is, after all, why we are all here today. If we can move people to see poverty as a deprivation of capability and participation then, logically, a range of responses is needed to maximise all avenues for capability and participation. Later in the day we are going to be looking at a whole range of portfolio areas. Hopefully, some of those possible solutions will come up across the areas of housing policy, employment policy, education, family and child support, disability, issues to do with crime and criminal justice, health, pharmaceutical benefits, dental and mental health services and, in relation to the states, the financial arrangements relating to eligibility for state concessions. However we measure poverty, we firmly believe that the incidence of poverty has increased, and we have detailed different examples in our submission.

In conclusion, tackling poverty is a long journey that we must take together, and we need to do it nationally as well as in our own communities. We recognise that there are no quick fixes. That said, we also recognise that we need to maintain an adequate level and capacity to alleviate crises and emergencies with a range of handouts, emergency supports and material aid. Most
importantly, we must keep sight of the need to bring about the kind of structural change required to tackle the real causes of poverty.

CHAIR—This is a roundtable discussion. If people would like to contribute, they are most welcome.

Dr Ziguras—Anne and Philip have given a good overview of some of the issues that many of us are grappling with. The Brotherhood of State Laurence has been interested in this question of poverty and definitions for some decades now. I certainly think Anne’s point about not getting too stuck on definitions and issues of measurement is very important. In terms of being service providers and doing research with people, our experience is that the impact of poverty is experienced in lots of different ways. It is about homelessness and not being able to afford to live somewhere. It is about unemployment and not being able to find a job or being able to find only bits and pieces of work. It is about children who go to school and hand their work in handwritten as they are the only one in the class who cannot afford access to a computer. People are being excluded and are unable to participate in all sorts of ways.

Having said that, the issues of measurement are important, and I will add a couple of things to what Philip mentioned. I do not think that the distinction between absolute and relative measures of poverty is necessarily as clear cut as is sometimes argued, because even an absolute measure of poverty still depends on community standards regarding what people generally think someone should have access to. For example, going back in history, community standards regarding what is an acceptable level of accommodation have changed over time as general wealth has increased. The idea of children sharing a bed with their parents is not necessarily accepted anymore, as it was maybe 100 years ago. The issue is not clear cut, and we are looking at general community standards whichever issue of poverty we look at.

We have used income measures of poverty to try to get a shorthand picture of the material goods that someone can get access to and of ways of participating based on income. You obviously need to buy things, and how much you can buy depends on how much money you have, but costs have probably increased more for low-income earners than they have for other groups. I know that VCOSS has done some work—Gavin in his previous incarnation there—showing that costs for low-income earners have increased more rapidly than for others. Adjusting these poverty lines for CPI does not really take into account that what people on the minimum income can buy is decreasing because the costs of public transport, health and education are all going up for that group.

Lastly, we have done some work talking to members of the general public about how they understand poverty and what they are concerned about. They tend not to identify poverty as something that they can come to terms with in Australia, but they are certainly very concerned with what they see as—I think correctly—the increasing gap between rich and poor. People are very concerned about that increasing gap, and it is a concern that we share. In any sort of discussion of poverty and inequality, we need to keep in mind not only the community concern but also the impact of this increasing gap on social cohesion.

Mr Dufty—As Steve mentioned, just looking at income is a very crude measure. A lot of it is tied up in the expenditure end. If you have a look at the household expenditure surveys and the raw data sets from the CPI, you will see that different income groups consume different goods
and services at different rates or that particular income groups are confined to particular types of expenditure items. Transport is a good example. Since 1990, private motoring costs in Victoria have risen at the CPI rate while public transport costs have risen at 152 per cent above the CPI. What you have there is a distortion for people who are relying on public transport, such as the aged, the young and the disabled. They are paying 152 per cent above the average in their cost expenditure. That also happens in housing. Home ownership costs have risen at a rate less than the CPI, whereas the costs for people in public housing have risen at a rate much greater than the CPI—over 100 per cent. There are other areas within the CPI basket where that occurs.

Senator McLUCAS—Is that from data based in Victoria?

Mr Dufty—You will see the same patterns happening across the other states, but there are different rates of cost changes from state to state, depending on what the state government’s policies are. It does change from state to state, and Victoria is not a particularly good performer in terms of public transport compared to some other states.

Senator McLUCAS—Also, do you have any data on differentials between regional areas and the metropolitan area here in terms of expenditure?

Mr Dufty—No. Unfortunately, there are no data sets that are formally collected by the ABS on that. We have anecdotal evidence through experience with agencies like our own that, because people are travelling further, their petrol costs are going to be higher, for example. But I think that that is a failing in the data collection from the government and it should be an area that is looked at.

Senator FORSHAW—In terms of this debate about the definition of poverty, you will notice that our inquiry is on poverty and financial hardship. One of the reasons that we put financial hardship in there is that we wanted to pick up on the fact that there are a lot of people and families who would not consider themselves to be in poverty, whether they are or not, but I would argue that a lot of families are in severe financial hardship. We had some evidence yesterday of people who are working but, with the amount of hours they work a week, their whole lifestyle is one of severe financial hardship. I was going to throw that into the discussion. Would we be better using a term like ‘severe financial hardship’? If we are, what does that do to the sort of percentages that the Smith Family, for instance, have come up with? Are we able to say what proportion of Australians and Australian families are living in a pretty constant state of severe financial hardship?

Dr Cleary—I would not be in favour at all of using the term ‘financial hardship’. I think that just softens the reality of poverty, and it is a good way of saying, ‘Well, there’s really not a problem; it’s just some people struggling for a little time.’ I think that is an illusion that our society constantly seeks to make for anyone that it sees as being not successful or making the road in the politically correct terms of today. Anglicare Victoria provides a range of support services to families across Victoria—it is a significant provider—and we have two general classes or categories of family. One is families that have long-term deprivation, and you can trace it back generation by generation. That exhibits itself in all sorts of ways. That has been our traditional client base, if you like. But what has been quite disturbing to us in the last five to 10 years is a growing class of new people in poverty. You may like to describe it as ‘experiencing financial hardship’, but it is people in poverty who actually are in survival mode. They are
basically just trying to exist day by day. The implication of that, of course, is that they will become part of this longer-term generation of people experiencing deprivation.

It certainly is about income. To give you an example, one of our families living in the northern suburbs has an income level of $27,000 per year and four children. Education costs in February of this year were $8,000 to send their children back to school. You cannot tell me that that is financial hardship; that is poverty. A family on $27,000 a year cannot afford $8,000 to send four kids back to school at the beginning of the year. That is not a choice decision; that is the reality. That is a family where there is only one breadwinner because they have made a choice that one of the parents remains home to care for the children in a traditional role, and I do not think we should in any way diminish the significance of that as well.

This also applies to families that no longer have insurance policies for their houses—they cannot afford them. They cannot afford public transport. They cannot afford to own a car; if they do, it is an old car that probably costs three times as much to run as a newer car and, immediately it goes bung, it has had it and there is no transport. They have no dental care: the amount of money we as an agency spend on having teeth extracted because of poor dental care is just absurd in a civilised community like our own. They go without proper health care because, in many parts of the northern suburbs and inner Melbourne, GPs are just not available. In terms of access, these people are often put down the waiting list. They go without food. Their kids are excluded from excursions. That is not financial hardship; that is poverty. That is basic poverty in a community in which we say, ‘We are civilised and we are governing for all.’ So this is not just about moving the goalposts and saying, ‘Let’s not talk about poverty; let’s talk about financial hardship.’ That is a wimpish approach, I would say.

Senator FORSHA W—I was not suggesting that at all.

Dr Cleary—I know. I am just

Senator FORSHA W—I was trying to make the point that there is a view, it would seem, among some people, and they would readily identify with the label, ‘severe financial hardship’—if we want to put labels on them, and that may be the wrong thing to do anyway. But that was what I was trying to get at.

Dr Cleary—I could not agree more. But language is a very important determiner of policy. I think we see currently governments of all persuasions using language that we think we understand, but in fact it has quite a different meaning.

CHAIR—Dr Mendes, I think you said that Professor Henderson said that this was needs rather than earnings. Mr Cleary, you talked about $27,000 a year and the difficulties there. In terms of a definition of poverty, we could go to a part of Australia where $27,000 a year as an income might just get you through, whereas if you went to another part of Australia $27,000 might make you poor. I wonder if someone would like to respond to that, particularly with a country the size of ours. Regarding incomes, we went through South Australia yesterday, and it is the lowest-income mainland state. I would be interested in your responses to that—your observations.
Dr Mendes—I have two comments. One is on that specifically, which other people might want to elaborate on. Clearly, geographical issues are important. If you live around Lismore, the standard of living is probably going to be lower. The cost of rental accommodation is going to be a lot lower than if you live in an inner city suburb in Melbourne or Sydney. So I think that issue is an important one, and some people may want to comment more.

I will just go back briefly to the discussion between Ray and Senator Forshaw. I agree with Reverend Cleary in principle, but I think it is important that an inquiry into poverty not look at poverty and the poor in isolation from the rest of the community. I think the risk is that we could do that and forget that poverty is an outcome of a broader issue of income and wealth distribution in society. So, if you just look at poverty, you run the risk of saying, ‘What are wages for low income people? What are the income security payments? They are the two issues, narrowly, that you have to address to address poverty,’ whereas clearly we need to look at taxation and industrial relations; we cannot just look at poverty on its own.

Prof. Howe—I would like to build on what Philip has just said. In terms of this committee, what we are doing is beginning to look again at poverty, which, basically, we have not looked at it for over a quarter of a century. Before that, it really goes back to the Second World War. Failing to do that essentially builds a complacency into the community—just as Professor Henderson found—where people have no feeling that there is real poverty in Australia. In a sense, now you have the task of convincing people again that there is this division between rich and poor—this inequality, the existence of poverty—in this, comparatively speaking, very wealthy society.

Just as Professor Henderson had to think about what was actually happening in Australian society to get onto the specifics, so we have to talk not just about how we measure it but about what the social reality is—and I think that is what Philip is getting at. He is saying, ‘Look, there are some things happening in our society that weren’t happening 25 years ago.’ What are those things that are happening now? If you go back 25 years, you had an absolutely dominant nuclear family. The character of a family in a sense lent itself to a stereotype. Our suburbs reflected the sense that people tended to live in very similar ways. When Henderson did his study, what he found essentially was that if you were in the work force you were very unlikely to be poor and if you were out of the work force your chances of being poor were very high. He found that the people who were out of the work force and were poor were predominantly older people.

Over the last 25 years, there has been a revolution and we have a totally different labour market from that which existed 25 years ago. Not only are unemployment levels now three times as high as they were throughout the whole of the post-war period—that is, we have very much higher unemployment—but also the character of employment has changed. People who work now may work full time or part time. Men and women tend to work in ways that are quite uncharacteristic of a quarter of a century ago. The nature of the employment contract has changed. We have, as Philip referred to, a totally different system of industrial relations. Whereas people talked about wage equity and wage justice, today we are allowing incomes before transfers to become much less equal. The market system is much more powerful now than it was before, and people who have moved in that direction have tended not to count the consequences of that. If you look at the character of employment, you will see that people may be working part time, that they very often may have two or three part-time jobs to make up an income and that the rate of casualisation is as high as or higher than any other OECD country.
We are not followers; we are leading the way in experimenting with people’s lives. Those who do not make it, those who are marginal to that situation, are in what I guess you would describe as poverty. I am quite critical of the Henderson poverty line. I am critical because I think it has been used for far too long as a quasi-official indicator when, as Philip suggested, it in one sense overstates the level of poverty. Also, it is based on the concept of the budget, which is drawn from New York 1954. We have not really looked at the way people’s lives have changed, together with the fact that the poverty line or the concept of income inequality is far too often used in abstraction from all the things that we are starting to build up a case for here which are important to determine people’s real standard of living—their real income. Their real income is made up of not just a combination of wages and income transfers from government; it is also to do with access to health, to education and to housing.

Let us look at those three areas. Firstly, in terms of health, what we have seen from this government is a massive transfer of funds to the private sector. Private health insurance has become increasingly more important and that is to the cost of the public sector, which is crucial to most low-income people. Secondly, in terms of education, we are seeing a huge shift towards private schools. I am told—I do not know whether it is quite correct—that the Commonwealth government now puts more money into private schools—that is, into the education of the minority of children, attending private schools—than it puts into public education. Thirdly, in terms of social housing, we have an absolute disgrace. We have homelessness at record levels, we have a Commonwealth-State Housing Agreement which is in tatters and we have had Commonwealth and state failing over a decade to agree on what obviously needs to be new housing policy.

The reality is that public housing sitting alongside those old industrial estates is not the answer to people’s needs for housing in a modern economy. Governments are terrific at talking about the knowledge economy, the information economy et cetera, but what that really often means for people is that many of the areas that used to be the strongest in terms of employment, and which had public housing sitting alongside them, are these days no longer the focus of the modern economy. These are huge changes, and meanwhile governments, year in and year out, basically carry on with incremental change rather than doing what Henderson tried to do, after a massive lobby from the Anglican Church and civil society. They finally got around McMahon and then Whitlam to have a look at the real situation.

It is not so important to measure poverty between the Henderson poverty line and half the median income or whatever. However, governments ought to set standards, and we certainly do not set standards in a whole range of areas. The decisions we make in terms of public policy are very often somewhat arbitrary, so it is important that there be a consensus, I suppose, about what reasonable levels of support are. However, that needs to take account of the fact that people’s real income is going to be dependent on far more than what they get from government by way of social security payments.

John Howard says, ‘Inequality has not worsened under my government.’ There may be some sense in which that is true, and John Howard no doubt knows what he means by that, but anyone in this community who is working with low-income people is seeing not just where people are at the moment but the threats that people face when they have a health crisis or whatever. Let us not approach this issue in too narrow a way. There are broader forces in this society, particularly with changes in families—including the huge increase in the number of sole-parent families.
That is an indicator of changes occurring in the way that we live and the changing nature of households, together with the changing nature of work and, I would say finally, the changing life course.

If you look at what is happening in terms of social policy in Europe, people are increasingly looking at social policy across the life course. When I was young, the people I worked with were saving at age 15 when I went to work. Everyone was saving to get a block of land and move on. Young people today are not saving. They are dissaving, as older people often did. They are dissaving because they are facing the problems of paying for their education, housing, compulsory superannuation and so on. The chances of getting established are much less. What happens? People do not settle down until much later than they used to. Families are caring for adult children well into their 20s. It is a very different situation from before. Or, as Roy says, they have to take people out of education. We know that if people do not complete secondary and some tertiary education their chances in the labour market are considerably less. They are likely to finish up being poor—not for a short period of time but across the life course.

You have to look at what is happening in terms of the life course. Marriages are breaking down midlife. They are not, as occurs in the United States, teenage sole parents; they are very often at the core point of their lives. Things seem to be going swimmingly one day and the next day they are on the sole-parent pension and effectively living on the poverty line, with probably no share of their family home and living in rental accommodation in some poor benighted suburb where it is very difficult to give their children a stable environment. We have to look at this and we have to look at the older unemployed group who are very often being pulled out of the work force in their mid-50s and are looking forward to living for 20 or 25 years on a pension. No-one wants to invest in someone who is 45 to 50 years old. They want to invest in young people who have a tertiary education. So the life course is a very important point, as I think has been recognised by social policy analysts since Seebohm and Rowntree in the 19th century.

I think politicians have to wake up to themselves. We are in a country that is looking less and less equal—a country which in many ways might pride itself in terms of how the economy is running along, et cetera, but a country in which a very large number of people are feeling very much left behind, as if they are not the central focus. That is why One Nation turned up—basically because a whole lot of people out there felt: ‘Whatever government it might be, it is not for me.’ I hope this inquiry is a catalyst and a spark, to get the parliament of this country saying, ‘We don’t want to live in the United States, as some copy of a country which is so unequal in terms of its social standards.’

To talk about welfare all the time just makes me furious. Welfare is a terrible term. Income security—social security in Australia—was a term of some entitlement, some rights, some dignity. Increasingly, we are allowing a rhetoric to be imported into this country which I believe is in a sense downgrading the status of anyone who happens to be requiring social assistance. And the parliament is largely responsible for that. We have changed the language. Regarding work for the dole, the dole was a term of contempt in the 1930s. No-one in the labour movement would use that term, and yet even Labor members of parliament talk about the dole. I would never use that word if I could avoid it, because people who are unemployed are entitled to assistance. They always have been in Australia, at least through the postwar period—although, as Anthony O’Donnell says in one of our papers on the web site, we have really only had 25 years of sunshine in Australia. The postwar period might have been all right, but if you look at
the labour market in the 1930s or the 1920s or today you are looking at one that distributes inequalities. Governments go on, not daring to mention full employment, because, frankly, the economists have failed; they have not really been able to show us how to produce that kind of result.

**Senator HUMPHRIES**—I note the comment that Professor Howe has just made about the need for a consensus on what should go forward as the message about poverty, and I think Ms Tuohey said that we need to have an educative policy based around the way in which we discuss poverty in the community. The concern I have is that I cannot quite see what the consensus is or what the message would be, given that there is a lack of consensus about just what the extent of poverty is, how many people are actually living in poverty and, indeed, whether poverty is actually increasing or not. I want to pose the question: is it perhaps an appropriate precursor for an attack on poverty for there to be a reiteration of the Henderson inquiry and a new formulation of the Henderson formula or poverty line, as a way of being able to say authoritatively, ‘This is the extent of poverty in Australia, and this is then the basis on which we will go about addressing it’?

**Prof. Howe**—Could I add just one thing on that. If you go back to Henderson, he said, ‘You have got a certain level of poverty and marginal poverty in a community,’ so he is aware of the fact that you need to distinguish between acute poverty—or acute financial stresses, as Senator Forshaw remarked—and people who are facing the threat of severe stress. He also recognises that there is a distinction between those who are in poverty before and after housing costs. At the national housing strategy discussions in the early nineties, that issue was put on the table in terms of the need to establish an affordability benchmark—that is, not just in terms of public housing but generally in the community what percentage of income people might pay, if you like, without being faced with the risk of a housing induced poverty.

I think that benchmark is there, and I think there is a fair bit of support for the sense that there ought to be some benchmark, whether at 25 per cent or 30 per cent of income. It certainly ought to be there for people in the private rental market, and maybe there needs to be some ceiling, and maybe that needs to vary, and so on. But I do not think that is terribly contentious. The difficulty is not so much in setting the benchmark or standard; it is in getting the will on the part of the government to ensure that we have a situation where people are protected by that benchmark. In housing, even though I think there was a fair bit of bipartisan agreement about the approach in the national housing strategy, effectively there was not the will to develop an approach that covered people in the public and private rental sector.

There are all sorts of different ways you can measure aspects of poverty, or poverty overall, but I do not think that is as contentious as your question suggests. It is more a question of what priority you give—even to an aspect. It is like the issue of child poverty. Even though there I think there was a standard set in terms of the level of child payments, what I was really shocked by at the time in that case was the lack of leadership in the civil society in terms of saying, ‘Well, the benchmark was too low and it ought to be at some other level.’ People rather went off to a broader discussion about inequality.

So, if the government is concerned about specific areas of poverty, I think you can come up with a way of setting a standard, if you like, that you think is realistic to achieve. That is not so contentious: it may be contentious in the sense of the actual level being realistic in terms of
economic policy and so on, but very often we just do not establish levels in Australia. When I was first a minister, there had never been any level set for child payments. They were not indexed et cetera. It is very important that you have standards and that the community knows what they are. It is very important that you have those, rather than moving to social policy in this arbitrary way—as opposed to economic policy where very often we have very clear indicators and we try to achieve those benchmarks or indicators.

CHAIR—Would anybody else like to comment on Senator Humphries question?

Ms Tuohy—Whatever the process is, we obviously do need to build consensus in some way, so that we can get the development of some kind of national strategy for the alleviation of poverty. In our submission, we actually called for a poverty summit. Whatever we do, we have to somehow get on the agenda the knowledge, the understanding and the sense that this is a priority that we as a nation should be tackling. When you say that you question whether there is consensus about the extent of poverty, I wonder if we should just be more blunt about some of the words like ‘isolation’ and ‘loneliness’ and all of these issues that perhaps the general community are able to relate to. The fallout of poverty is that there are extremely isolated people, and loneliness is at endemic levels in the community. I sometimes think that we need to talk about those issues that hopefully people can relate to more directly—loneliness, isolation, very much related to poverty. So we need to have some kind of a process that we are all involved in that builds consensus in this country that we have to tackle poverty as a very high priority in our country.

Major Berris—Obviously, in Australia you have to be much richer to be poor than you do in many African countries. You cannot just live in a box. I am thinking of that crazy thing where people are trying to say how much worse it was when they were children: ‘You lived in a box; we lived in a hole in the ground’, and all that sort of stupidity. We do have to be much richer to be poor in Australia; and it seems to me that there is a desperate need for us to have some understanding in order to make policy—some sort of benchmark that says: ‘This is what poverty is about and this is how you can recognise it.’

I would love to see a system where we actually benchmarked what individuals, families, people with dependents and so on were required to do and be in our society—things like what it actually costs to feed our children, get them to school, build relationships and learn skills that are needed in order for us to reach certain benchmarks, and what inputs we might put into our children and other people’s children. That is all very important stuff in order for us to understand poverty. Yes, poverty is not having enough money—let’s not mess around—but there are huge implications attached to that. Not having enough money means you cannot do this, you cannot do that, you cannot do something else. You cannot take your kids to the zoo. Is that important? Is it a benchmark if we say that every kid ought to be able to go to the zoo with mum and dad at least once a year? I would love to see us benchmark stuff like that and then add all that stuff together and say that if you cannot do those things you are failing your kids and your society, and, therefore, we need to make sure that people can do those things.

CHAIR—Thank you. If I could move it on a little, Dr Cleary, your submission talks in relation to housing. I wonder whether you would like to expand on it and whether other participants would like to contribute.
Dr Cleary—I am very happy to do that. Following on the comments of Brian and others, I think we need to understand poverty in a number of ways. One is that for an increasing number of people in our community it is not simply about low income, it is also about accessibility to a whole range of services, of which one is adequate, affordable housing. The recent State of the Family report that Anglicare has produced indicates that over the last 10 years there have been only 10,000 additional public housing units added to the stock in Australia, while the waiting lists are around 200,000 for access to public housing. I think that is a very stark reality about where we stand in relation to the way in which governments and others are approaching the issue.

I believe that lack of housing, income and employment are three key elements in creating long-term poverty for families, and they worsen the poverty cycle. They create additional problems. In our case at Anglicare, over half our client group pay over half of their regular income in housing costs. Housing is, as Anne Tuohey said earlier, a basic human right. Shelter is inherent in what we describe as a civilised community. Increasing numbers of Australians are finding it difficult to find long-term, affordable, accessible housing that gives them dignity, security, a sense of community and a place of identity. I do not think we should underestimate these as contributors in the poverty debate. Who you are, where you live and what you do, along with access to a regular level of income security, are all significant issues in terms of an individual’s wellbeing.

One of the changes that has taken place, particularly in Victoria but I suspect in the other states—although I am not as knowledgeable about the other states—has been the continuing targeting of existing public housing stock at people with special needs. I do not in any way want to diminish the need of that group of people for accommodation. These are former institutional residents who were in our large institutions; these are people with disabilities who are now encouraged to live in community. Many are on disability pensions or other associated income support. But the impact of that shift in policy has been that people on low incomes no longer have access to affordable public housing, because of the targeting and the lack of additional units built over the past 10 years. Our experience in working with families living on the edge, in what I would describe as a survival mode, has been that it has been made increasingly difficult by the decline in—and the decline in the maintenance of—public housing stock.

As our submission indicates, we believe and would earnestly put forward that all the major political parties recognise the need for intensive capital investment in increased public housing. I would agree with Brian that it is an indictment of our political leadership that housing is so far down the list in terms of the needs of Australian citizens. It seems that we think it can be solved by increasing rental subsidies in the private market. In our experience, the reality is that every time the private rental subsidy goes up the rentals go up in the same area, so there is actually no advantage to low income people. Also, it is difficult for young people in particular—that is, 18- to 25-year-olds. We have cared for a number of young people as an agent in the state for many years, and these kids cannot get access to any housing at an affordable rate unless we provide significant additional funds for that. They are excluded. There is also an issue in the debate about housing about who is in, who is out, who is eligible and who is not. That possibly applies more strongly to the private rental market than it does to public housing.

We also should be exploring not only government investment but also the private rental market. If I recall correctly, the former director of housing in Victoria brought up the issue of
why we cannot leverage for borrowing purposes the huge investment the state and Commonwealth already have in public housing, to expand the housing market. That is one way forward, and there are a number of other options that are being put forward and explored. One issue for the private operator or private developer is the return they receive for developing in the public area. But we urgently need to double or triple the available public housing stock in this state, and we cannot rely on the private rental market to meet the increasing demands on a day-by-day basis.

I mentioned earlier that one of our deep concerns is that we are seeing families that will in the long term, if they are not provided with adequate housing, enter what I call the long-term poverty arena—and the process will go on generation after generation with increasing numbers of people. Our experience is that low income families spend a much higher proportion of their income on housing. This then leads to greater calls on emergency relief and so forth. There is an inquiry into emergency relief being conducted at the present time, which I find fascinating. It is as though emergency relief is supposed to solve people’s problems, when in fact emergency relief ought to be available as the last and not the first resort in addressing poverty.

We need to invest in public housing, and we also need to be far more strategic about where public housing is to be located. This raises another really significant issue, which others have referred to, and that is where the job market and the employment market will move to in the future. In Gippsland, where we provide a whole range of services, there is lots of public housing but no jobs, particularly in one or two of the rural cities. So this notion about strategic thinking needs to be not only about the level of poverty but also about the sort of society and community we are developing, where industry will be located and what our view is about city development. With the major highways in Melbourne, it is now 140 kilometres from one side of Melbourne to the other, if you travel from the areas of Craigieburn and Kilmore through to Pakenham and Berwick and along the corridors. There is all this new housing going up. I have been advised recently that in Cranbourne there are 80 new houses being built each week and a significant number of those houses are being rented by low income families, many of whom are single parent families. Our experience in Craigieburn and Melbourne is that a whole range of other issues are going to explode on us in terms of these families.

I chaired the Victorian Homelessness Strategy. There are approximately 25,000 homeless people in Melbourne and, on any one night, 100,000 throughout Australia. The solution to homelessness is not crisis accommodation. Crisis accommodation only hides the problem. That is not to suggest that we should not be providing crisis accommodation, but the solution must be affordable, accessible, long-term housing. Until we get that message quite clear to those who are responsible, we will continue to have a major, growing homelessness problem in this community.

CHAIR—Dr Robinson, would you like to contribute?

Dr Robinson—I would like to endorse a number of things that were said earlier about poverty being not only about community standards, income and the costs that Gavin mentioned but also about universal services and people’s rights to access those services as a component. Housing sits under almost all of those headings. Access to housing has to be considered as an essential base not just for economic participation but for social participation, which Anne Tuohey raised earlier. For instance, aged care policy is about ageing in place but, if you have not got the place,
you cannot age there. If you cannot pay to have it modified, you cannot stay there and you will end up in a rooming house or being shipped off at a time not of your own choosing to some other residential facility. So housing also gives people dignity in choice in later years.

We have been a society with a history of high home ownership, but we have not built the policies that allow for a situation where home ownership is no longer at the levels that it has been historically. We will no doubt spend a lot of time talking about affordability, but we also have to talk about adequacy. There are refugee families from the Horn of Africa with eight children, and there is not a lot of housing that accommodates that. With young people who are homeless—Ray talked about this—crisis accommodation is the first step. But what comes after that? People in crisis situations are often in public housing because of their complex needs and their history of disadvantage. They are clustered together in areas without infrastructure and services, and that is not a good environment in which to deal with the longer term issues that these people are trying to tackle. Ray has already covered this. Low cost accommodation is available in some places, but it does tend to be located in places with low employment opportunities and poor infrastructure. This is not just a rural-urban thing. There are large growth corridors through Melbourne’s north-west, from Sunshine way out—and spreading—where cheap housing is available. But how does one move from there? What do the children of the sole parent families do once they are out there?

Can I pull back for a minute and say that, if poverty is about services, then we have to talk about a complex mix of policy issues. We have to talk about things like labour market policies that drive down wages—and then we say that people with low wages should access welfare. I think that housing has to be coupled with access to social infrastructure—it is not just employment; it is health and other non-material resources. Some of the things in Victoria that we are talking about as community capacity building—things around addressing social exclusion—are the other plank, I suppose, of tackling poverty.

The cuts to the Commonwealth State Housing Agreement have also had an impact. We heard Brian and Ray talking about the reduction in housing stock and the poor maintenance of that stock. Coupled with that is the pushing of people into the private market, which clearly cannot cope with provision for people at the low cost end of the spectrum. While there has been high growth in property and in investment in property, to pull back again to the policies behind that, the encouragement of this market overheating has a policy outcome. That policy outcome again manifests itself in inequality. A lot of people have done very well out of this housing phenomenon; a lot of people have done very badly—and these are the people that we are dealing with.

To shift to some proposed solutions, working simply within the current system the first thing is that rent assistance is tied to the CPI. Over the five years to 2001, rental in Victoria went up 30 per cent—so there is no match between the money people are given to pay their rent and the rate of rental rise. If we looked beyond that to a broader change, I would echo the statements that have been made already about the need for a national housing policy. It has to be a coordinated approach—Commonwealth, state, territory and possibly local governments as well. It is possible that there is a structure needed to drive this forward. Catholic Social Services Victoria’s proposal included a national affordable housing corporation. I think there is a place for some sort of structure to manage that. On the issue of investment, as Ray said, there have to be new forms of social housing—we clearly do not want more high rise blocks to be built. The system has to be
flexible and it has to be done in partnership not only with the private sector but also with non-government organisations, because increasingly they can provide the raft of services and support that have to go with providing a bed and a room.

I will use the example of a young person in the western suburbs of Melbourne who is dependent on a Youth Allowance of roughly $310 a fortnight and lives in a flat trying to study and pay for rent, food, clothes, bills and bond on that amount. Sometimes the lives of these young people are not straightforward, and that is why they are not living with their families. Sometimes they have a younger sibling to support. If something goes wrong in their study situation or when they are looking for work, they can be breached. Breaching is a short track to poverty. It is a policy free zone in the social security system. If these people are breached they cannot pay their bills, they are evicted, they have a poor debt record and they will never be able to access private rental until that is cleared—and they have no way to clear it. It is similar for an older person, and I have already covered that scenario. I would echo the point that housing is central and that a coordinated policy approach is also essential for tackling poverty.

Senator McLUCAS—Do you have any comments to make about how the use by private renters of data collection agencies like TICA affects people, especially young people, accessing the private rental market?

Dr Robinson—AHURI, the Australian Housing and Urban Research Institute, is beginning to do work in the area of evictions. The difficulty is that as a service provision agency we see about 11,000 young people in the CBD and across the state through the Melbourne Youth Support Service, but data collection and analysis is another layer on top of service provision.

Senator McLUCAS—I have not made myself clear. I am asking about the use by private renters of the agencies that collect information about evictions, nonpayment of bonds and all of that sort of data.

Dr Robinson—I do not know a lot about that, other than that they are exempt, I gather, from privacy legislation.

Senator McLUCAS—Does anyone else have any comments about how that works in Victoria?

Mr Dufty—Since the privatisation of the gas and electricity companies and the introduction of a full market, those companies are tapping into those rental databases as well and excluding certain people from market contracts. So the penalty there is starting to trickle back into other areas that have been corporatised or privatised. They are being excluded from those. If there are benefits from competition, through the driving down of prices, they are left on the safety net, as tariffs. That is certainly happening at the moment.

Senator McLUCAS—Thank you.

CHAIR—The St Vincent de Paul submission mentioned the particular problems of people with mental health issues. Would you like to expand on the issue of housing for people with mental health problems?
Mr Dufty—Again, as has been highlighted already, people with mental health problems come with complex needs and complex issues, and the support structures and services to facilitate and manage those are not there, and that has detrimental effects on other people. They cannot maintain their housing, there is insecurity—that has already been spoken about. As Ray said, it has a lot to do with the segmented waiting list. If you are going to target housing to a particular client group, you need to actually provide the services to support them so that they can maintain that housing, because if they cannot maintain it they are fast-tracked back onto the scrap heap.

Dr Cleary—In the eighties we moved to supporting the notion of deinstitutionalisation. Deinstitutionalisation will only work in the community when community supports are provided. What we specifically saw in Victoria during the Kennett regime was the dismantling of all of those community supports that enabled people to live in communities. In the services that I was running at the time we were only allowed to staff community units between seven and 10 in the morning and three and six in the afternoon. Support for people who needed it—access to pharmaceuticals and all of those sorts of benefits—were just withdrawn. That, I think, has really created a greater disadvantage for people who already had disabilities. In undertaking the Victorian Homelessness Strategy, we found that larger numbers of formerly institutionalised people were now falling into the homelessness stream, because actually there were no other alternatives. Where they had been able to be supported in local communities, landlords were evicting them—moving them out—because those resources were withdrawn, and they were on the streets.

Mr Dufty—Also, with the segmented waiting list, ghettoisation starts to occur, which adds a further disadvantage. With our work on home visits at St Vincent de Paul, a lot of volunteers are reluctant to go into these places because it is scary. Behaviour is erratic, to say the least.

Father Caddy—I would like to make that point, as well, about the segmented waiting list. The segmented waiting list exists because we have excessive targeting of public housing, and we have excessive targeting of public housing because there is not enough public housing. My mother grew up in public housing in the fifties and in her very short street there was a schoolteacher, a foundry worker, a bus driver and some people who worked in offices, and there were other households where people did not work. There was one household that had fairly obvious domestic violence and one that had alcohol abuse, but they were all mixed in together. You would not find any public housing today where you would have that sort of mix—where the schoolteacher would be living next door to somebody suffering from a debilitating mental illness. That is the break-up of the community and of the sort of linking that people are able to do through communities.

Mr Dufty—Once the support that communities offer for themselves is not there, you have to get agencies wandering in occasionally, or whatever, picking up bits and pieces.

Prof. Howe—I think this issue is absolutely fundamental. If you went back to the period that Joe was talking about, you would find extremely high levels of employment. There was a terrific study done by Bryson and Thompson called, An Australian Newtown: Life and Leadership in a Working Class Suburb—and they revisited it 30 years later. It shows a community that may have been poor but where most families had an adult in the workforce. They were employed because the suburb sat alongside a very large heavy industry estate which provided the jobs. Today that same area has extremely high levels of unemployment. Right
across public housing what we are really doing is taking unemployed people out and putting them together in these estates. Something like 40 per cent of people in public housing are women—sole parents—very often bringing up children in a dangerous environment. Targeting may be good policy in income security but it is appalling policy in housing, and successive governments have encouraged a direction that I think people now see as very serious.

I would like to comment on a couple of broader issues. In housing I think there is a kind of macro economic policy problem in a sense. We have allowed housing to get out of control, with very serious problems for equity. I do not have time to go into that. The National Institute for Industry and Economic Research, in their last State of the regions report, have a terrific section on housing in which they demonstrate—I think fairly convincingly—the inaccessibility of home ownership in most of the favourable areas in Australian cities. For younger people housing is becoming increasingly unaffordable, and that is why there has been that dramatic drop away in home purchase rates that Maryanne Wulff at Monash has shown in the 25-year old to 35-year old age group.

The other point I wanted to draw your attention to is the existing program of rent assistance, which is now such a substantial program—it is probably running at a couple of billion dollars. I do not know what the exact number is, but it is certainly getting to be very high and growing at quite a fast rate, at a time when capital funding for housing has been pegged. Even if it is indexed now, the reality is that most money that goes into public housing is going into upgrading and renewal of these old estates that are poorly located in terms of today’s population. That is why it is really so urgent that the issue is addressed in a capital way. There are various ways that that can be done—there is a housing bond proposal and various leverage proposals, to try to get more private sector investment in public housing—but, on the demand side in terms of rent assistance, the committee should be aware that rent assistance used to be called supplementary assistance, as part of a social security payment, and it is not specifically a housing payment. That means that there is absolutely no leverage out of that $2 billion.

It has also not been properly designed, in the sense that you have a build-up of rent assistance up to levels which may be adequate in some areas but are totally inadequate in other areas. It does not reflect the needs of different types of households, and it certainly does not reflect different housing markets. Most importantly, it is not really a housing payment. You cannot assume that people will spend that money in that area. If there is house price inflation in terms of rental properties, you cannot even assume that that money is available to pay that rent, which for low income people runs at 40 per cent, 50 per cent or 60 per cent of their total income. This is a disaster which is not waiting to happen; it has already happened.

One should not think of poverty as only poor people. Poverty arises because we have not taken action to develop proper inclusive social policy. As Maryanne was just saying, to fix up housing policy would not be enough. One needs to have more integrated approaches, which is why the United Kingdom government is putting £800 million—which is a lot of Australian dollars—into a neighbourhood renewal program for communities of under 5,000 people. In other words, it recognises that in certain communities there is now entrenched poverty that requires a whole of government approach.

‘Whole of government’ seems to be a phrase which is used in Europe, but it is not something that is characteristic of government in Australia—and it needs to be. As everyone is saying about
housing, people have multiple needs. A person in a housing estate may have an alcohol problem or a problem in terms of their capacity to work and, very often, they will have relationship problems and have dependent children—and it goes on—and we are not geared to really relate our various means of assistance to families in a holistic way. The Commonwealth should provide the lead. The Commonwealth is the top policy focus in Australia. States have policy responsibilities, but no-one has the policy resources that are available at the Commonwealth level. If the Commonwealth sits on its hands—as it has been doing in housing policy for a decade—you get terrible consequences out in the community. We see that in housing, where the performance of government—the Commonwealth together with the states—has been a disgrace for a very long period of time. It has been totally insensitive.

Joe’s point is absolutely right: don’t meet with us—we are the leaders of various organisations—go out to any one of a number of communities that people around this room could show you and sit down with those people. I remember being in East Preston—probably one of the poorest communities in Melbourne—and talking about redeveloping their community. And, by God, they were going to control that! They knew what they wanted, and they knew what they did not want, and they certainly knew where all the problems were. They talked about people who were straight out of psychiatric hospitals in the northern suburbs being dumped on walk-up estates without proper support. They can tell you about the problems. I hope the committee is not just going to talk to the elites but is actually going to go out to some of the suburbs that have been mentioned and talk to the people there.

**Dr Ziguras**—I will just reinforce a couple of those points. Certainly we see housing as an absolutely central determinant of poverty, and I think it is one of the two or three key issues that this committee really needs to come to grips with. Obviously, we come from the point of view of seeing the experiences of people who are going in and out of crisis accommodation services over and over again—they go in, they stay for six weeks, they go out to something else; there is no other accommodation, they keep coming back in. So they are continually cycling through the emergency services—through our service and through others.

While our interest is from the point of view of the effect on people on low incomes or living in poverty, there are I think a couple of economic arguments that are increasingly important around housing as well. The first, which I think people have already mentioned, is the disconnection between affordable housing and employment opportunities and the fact that that is growing dramatically and people cannot afford to live in areas where the jobs are growing. That has consequences for employers and for economic growth.

The other economic issue is that economic growth in Australia—really for the last couple of years—has been partly driven by the housing boom. The housing boom is now coming to an end, and there is an argument for the federal government, as other people have been calling for, to develop a national housing policy which looks at the government incentives for investment in private housing at the bottom end of the market. At the moment, all the incentives tend to direct people to the top end. We know that that is now overpriced and there is an oversupply, but at the same time we have got an undersupply at the bottom end of the market. If we are now at the end of the housing boom, we are potentially facing a downturn in the economy, unless there is some way of supporting the housing market to reinvest in that low end. There is a whole range of ways in which that can be done, which Brian has mentioned. The Brotherhood and CEDA have started putting together some ideas. They held a forum in February of people from the private finance
sector to start to put together some ideas about how this might be done. It is an absolutely critical area and the federal government really has got the responsibility to take a lead on this issue.

CHAIR—In your Brotherhood submission, you talk about the growing number of older people who have got psychiatric problems—and they are not getting into aged care services at all. Is that what is happening?

Dr Ziguras—This is anecdotal, but there are certainly some concerns from our point of view about the access for a whole range of groups to residential aged care—people who are homeless, people who have got psychiatric disabilities—and the preparedness of aged care services to take them on. One of the other issues is that the funding for those services does not adequately take into account the amount of care that is required. The funding formula assumes that people have got similar amounts of care necessary, and it does not acknowledge that staff need to spend a lot of time with some people, particularly those with behavioural problems, brain injuries and other psychiatric conditions. That means that there is a disincentive for them to take on those people, so it is increasingly hard to place people with those sorts of conditions.

CHAIR—We will suspend this session now for morning tea.

Proceedings suspended from 10.45 a.m. to 11.10 a.m.

CHAIR—Before the suspension, Dr Robinson was proposing some solutions. I wonder if she would wish to expand on them or would other people like to contribute as well before we move on to the next central issue area; that is, employment?

Ms Smith—While we are on the housing issue, I want to draw attention to the fact that some VCOSS member agencies work in emergency relief and financial counselling. Some of the feedback we were getting late last year from overcommitted households, in terms of their housing costs, was that implications around things such as interest rates will have a massive impact on people’s ability to pay their housing costs. So it is not just overmortgaged families; it has a flow-on effect on the availability of housing, to the point where some of the frontline services are saying that, if there is a quarter of a per cent change in interest rates, they can predict exactly how many more people on the edge of being foreclosed will be coming in to them and, therefore, moving into the private rental market, carrying a high level of personal debt. I wanted to draw attention to the fact that it is not just the targeted special needs groups in the community who are impacted by housing; there also is a major systemic issue which we are looking at in terms of metro Melbourne in particular, but it is not limited to metro Melbourne.

Major Berris—I have three things to say. There was a comment about community capacity building. My concern, to reiterate, is the issue of increasing monoculture within communities. If we are not careful, we will get that ghetto—I was going to invent a word there which would mean ‘turning areas into ghettos’. Another comment is that in Victoria we talk about ‘dual diagnosis’. Most of us wish that people had only two problems. In reality, there are multidiagnosis problems. In its very simplest form, if you have a psych problem and a drug and alcohol problem then the drug and alcohol people do not want to talk to you because you have a psych problem, and the psych people do not want to talk to you because you have a drug and alcohol problem. If you add an intellectual disability and a mob of other things then nobody
wants to talk to you. People fall through all sorts of cracks in that way and, of course, end up with my colleagues and our organisation.

The third point I want to comment about is dormitory suburbs. As you go out towards Gippsland, we discovered that huge dormitory suburbs are developing. Of course, if that is the way we are going to house people—further and further out from the city in dormitory suburbs—then people, when they want to get affordable rental accommodation or even just plain, unaffordable rental but somewhere to live, are going to have to move out to those dormitory suburbs. Having done that, of course, Centrelink then whacks them with breaching because they have moved away from where the jobs were. The jobs might have been there, but they were not for them anyway because they are still unemployed. You get that sort of crazy effect which destroys people even further.

One of the things that I want to remind us of, and I doubt that too many of us have felt this, is the absolutely gut-wrenching realisation that you are not going to make it—that financially the sky is going to fall on your head. You do not know what you are going to do for your family; you do not know how you are going to survive. If there were a way of defining poverty by benchmarking that gut-wrenching crash that happens to people when they realise that it is not happening, I would love to find out how to do it and build that into this whole issue of making it and coping.

CHAIR—If no-one else like would like to make any further comments on housing, would the Jesuit Social Services and the Brotherhood of St Laurence like to comment on employment?

Dr Kokanovic—The Jesuit Social Services conducts numerous programs responding to the needs of families, young people and local communities who are in need of support. We provide resettlement and support for young people after their release from correctional facilities, community development programs within the high-rise housing estates of the city of Yarra and educational and training programs for long-term unemployed young people. The Vietnamese Welfare Resource Centre and Parenting Australia provide parent education training and consultancy. We have a policy advocacy and research centre called the Ignatius Centre for Policy and Research. I will briefly present the results of JSS research studies titled ‘Barriers to employment’ and ‘Unequal in Life’, which we discus in more detail in our submission.

‘Barriers to Employment’ examined ways in which residents of high-rise estates in the city of Yarra are excluded from the competitive job market and ‘Unequal in Life’ examined the distribution of social disadvantage in Victoria and New South Wales. The study was based on a range of social indicators, including unemployment, long-term unemployment, early termination of schooling and low income. It has already been mentioned that employment and income are important for a person’s wellbeing. Income levels, workplaces, housing and urban environments, transport, medical services and opportunities for children are all important factors to be taken into consideration when inequality and poverty are analysed.

Growing inequality and poverty in Australia have often been correlated with increased unemployment, but shifts in types of jobs available from full-time to part-time and casualised or so-called non-standard jobs also contribute to uncertainty and growing inequality. When we use the adjectives ‘employed’ and ‘unemployed’, we need to understand that they no longer describe the different groups of people of today in the same way that they did in the past. The process of
casualisation of employment in today’s labour market includes the growth of non-standard jobs. These jobs are part time, offer short-term contracts, are often poorly renumerated and lack the benefits of permanency—for example, holiday pay or overtime rates.

The absence of work and income are a great disadvantage to young people. Young people with unemployed or low-skilled parents are more likely to have a lower level of numeracy and literacy than is demanded in present-day workplaces. Many children are growing up in households and neighbourhoods of poverty and disadvantage, and there is evidence of the enduring effects of childhood poverty.

Our research study ‘Barriers to employment’ identifies that, where family income is such as to place the family in poverty, unemployment of parents severely limits the resources necessary for promoting healthy growth in children. Unemployment is more likely for a young person who grows up in a household dependent upon social security, and can have a profoundly debilitating and long-lasting effect upon identity formation.

The disadvantaged population in Australia is becoming spatially concentrated with specific processes of population mobility and immobility. Our ‘Unequal in life’ research describes a growing degree of spatial concentration of low-income households. Some analysts point to the increased presence of these spatially concentrated groupings among recipients of social security benefits, citizens from culturally and linguistically diverse backgrounds and recent immigrants. Much of this concentration can be explained by patterns of settlement of recent migrants who lack the skills to compete in the contemporary labour market.

Various employment research identifies the following barriers to employment for the residents concentrated in high-rise estates in the city of Yarra: lack of adequate English language, especially verbal skills; the expense and difficulty of obtaining a trade licence in Australia; the lack of recognition of qualifications from overseas; the need to upgrade skills to Australian conditions; chronic illness and disability; prejudice from potential employers on the basis of address, ethnicity and physical appearance; the difficulty of keeping cars on the estate, restricting jobs that they can apply for; and the difficulty of returning to work after a time of unemployment and financial disincentives to return to work.

The author of the research argues that there are significant disincentives to returning to full-time, low-paid, low- and semi-skilled work, which involve loss of the public transport concession and an increase in public housing rental. He shows that the degree of discrimination that housing estate residents perceive in trying to gain work tends to affirm that geographically identified social exclusion is self-perpetuating. Immigrants who are skilled may also be precluded from appropriate employment by the lack of recognition of qualifications obtained overseas. Regardless of possessing high qualifications, professional skills, a clear intention to work and a sufficient level of English language proficiency, many immigrants from culturally and linguistically diverse backgrounds face significant barriers in securing appropriate employment.

According to the Unequal in Life research, special concentrations of disadvantaged groups may contribute to the formation of a subculture, which may encourage alienation and isolation from mainstream societal values. As mentioned before, some key indicators associated with socioeconomic status that were used in the Unequal in Life research are unemployment,
education, psychiatric admission and income. We should be reminded that the World Health Organisation states that unemployment puts health at risk, and the risk is higher when unemployment is widespread. It is also stated in the World Health Organisation report on the social determinants of health that being involuntarily unemployed may increase the risk of either developing or continuing to experience the symptoms of mental disorder.

The localities that are experiencing large increases in income inequality are those that have systematically underinvested in human resources. For example, poor investment in education and low expenditure on medical care are associated with lower levels of income distribution. Economic problems can undermine parenting and family interactions, with long-term mental health implications for children. In conclusion, the findings of this investigation suggest that, if residents of such localities and their children are to break free from this web of disadvantage which limits their life opportunities, intensive help—in the form of education, health, family support, housing, justice and other needed community services—is needed, in combination with supported community building endeavours to sustain the benefits of the assistance rendered.

At a time of reduced social expenditure, multiple disadvantaged sections of the community will inevitably continue to fall further behind unless special efforts are made to increase their life opportunities. Jesuit Social Services argues that groups that are among the most disadvantaged—such as Indigenous groups, refugees and asylum seekers—should be accorded priority in the framing of political and social arrangements that are intended to ensure justice. Jesuit Social Services supports the argument that group differentiated rights can be made to compensate for unequal circumstances that have put members of minority groups at a systematic disadvantage, regardless of their personal choice. The freedom and autonomy of individual members of disadvantaged groups requires not identical treatment but rather differential treatment in order to accommodate different needs.

CHAIR—Thank you, Dr Kokanovic. Dr Ziguras, would you like to add to that?

Dr Ziguras—Yes. We are going to play musical chairs, as you indicated we might. My colleague is going to talk about some of the key issues in employment that we have indicated in our submission. As an introductory comment, from our point of view the changes in employment and the labour market are really at the heart of the sorts of questions that we are talking about today. I think that is absolutely central to issues of poverty, inequality and a whole lot of the other things that we are talking about. Certainly, we see these issues of employment and government responses to some of the trends as being really important. I might ask my colleague Daniel Perkins to step up.

Mr Perkins—The direction from which we have approached poverty and employment is to look at poverty as an outcome of social arrangements that have failed particular groups or individuals in society. In that context, the lack of employment is the biggest single cause of poverty in Australia at the moment. It is a key area that needs to be looked at in any poverty inquiry. At a basic level, employment is also a human right. It is recognised in the Universal Declaration of Human Rights. A breach of that human right—unemployment—will also impact on other basic human rights such as the right to live in a safe environment and the right to good physical and mental health. It has wide-ranging implications, which pick up on the housing and the mental health issues identified earlier. Looking at employment as a broad area, we have also tried not only to focus on unemployment but also to take more of a positive view of the labour
market as a structure which generates income and opportunities for different groups in society. If it is not functioning then it will lead to the type of disadvantage that is seen in the US. We are worried that it is a model Australia is starting to follow with its employment policy and the neo-Liberal focus that Brian has mentioned.

We have identified three key groups of issues in employment, which starts to bring together the different areas. The first is the lack of work in Australia at the moment; that is, the lack of full-time work, unemployment, casualisation and a range of issues to do with people wanting more work than they currently have to support themselves and their families. The second group of issues is around labour market programs and the inadequacy of labour market programs in supporting those people who fall out of the labour market to reobtain a place in the labour market. The third group of issues is the current direction of labour market deregulation, labour market regulation more generally and restructuring. Those all interact. The lack of work comes about partly because of the economic environment and the current labour market and employment policies. Labour market programs are, because of the lack of work, hampered in their ability to help disadvantaged people. Quickly to go through those, the links to poverty that we see from the lack of work are an increased likelihood of marginalisation of job seekers and the growth of long-term unemployment. Disadvantaged job seekers are particularly at risk. It is leading to worsening regional disadvantage and, as I mentioned before, there is a lack of full-time jobs and also a lack of entry-level positions, which is causing disadvantage among younger people. Also, as was mentioned before, older people are another group that are suffering particularly in the labour market.

The current unemployment rate of around 6.2 per cent or, say, 620,000 also severely underestimates the extent of the lack of work problem in Australia because of the changes in the labour market over the last 20 years. The increase in part-time and casual work means that there are people who are included as employed but are actually living in poverty and that links back to the growth in working poor. The ABS, in looking at labour under-utilisation, have a figure of around 13 per cent, which is 1.3 million Australians who do not have as much work as they want. A proportion of those would then be linked directly to poverty. In terms of that as a priority area, if the predicted shortage in labour occurs over the next five to ten years that could decline of its own accord, but it would still leave a group of people who have experienced long-term unemployment, who have found themselves out of the labour market, who have then suffered long-term disadvantage and who cannot re-enter the labour market with ease.

In terms of labour market programs there is currently a lack of funding. There is insufficient emphasis on training and development. The model—I am thinking mainly of the Job Network—which focuses on rapid low-cost outcomes as its fundamental basis is not well suited to helping disadvantaged people who require more holistic assistance and developmental training rather than just churning them through.

There are not enough jobs. There is currently only one job available in the economy for every six job seekers. No matter how good your labour market programs, if you are not addressing the lack of jobs, then you are never going to get huge results. International evidence shows that you can end up demoralising people and having a negative effect on job seekers. A further problem with labour market programs is that there is evidence that they churn people through a continuous cycle of temporary, short-term casual jobs. They never really get into the primary
labour market. They lack security and they tend not to have leave entitlements. All those things will have a direct impact on them being in poverty.

Labour market programs are definitely an important area where Australia needs to increase spending. Currently we are way below the OECD average on labour market programs. The approach is also too much of a punitive model based on the unemployed as having a deficit in their personality and a mutual obligation type focus, although there does seem to be some openness to start looking at ways that can be improved, which is a good sign.

The third broad area we see as important is labour market deregulation, regulation and restructuring. The concern here is looking at the labour market as a more of systemic part of employment which leads to or affects the types of jobs that are created in society, whether they are high-skill or high-pay sorts of jobs or whether we move towards an American model, which has created huge numbers of low-skill, low-pay work. The current direction of labour market reform has seen a growth in part-time, temporary and contract work. There has been a growth in wage inequality. As I mentioned, those at the lower end generally have reduced entitlements. It is encouraging a growth of low-skill, low-wage employment. The best evidence for this has come out of Victoria under the Kennett government. I think Watts from the University of Newcastle showed that the move towards low wages and reduced conditions directly encouraged the growth of a low-skilled, low-productivity sector. So these people had work, but it was encouraging a growth in the working poor.

The deregulation of work conditions is also placing increasing pressure on families, is linked to the lack of full-time work and is also linked to the churning of job seekers through the labour market. This sort of policy direction has meant that wages have moderated and inflation has been kept under control, but groups with more market power in the labour market have benefited disproportionately. So higher status workers have been getting much higher wage increases than those at the lower end of the labour market. We do not see it as an acceptable position for those groups to be benefiting at the expense of weaker groups in the labour market. It may be necessary to look at some sort of incomes policy or that type of direction to try and control that increase in inequality. At the moment that is being kept in check by the transfer payments, but if that trend continues, there has to be a limit as to how long that can go on if the government subsidises that change in employment outcomes.

We see this area of employment as extremely important and as being likely to gain importance over the next five to 10 years or into the future. The change in labour market structure which has taken place is likely to have a lag effect, so these issues with the growth in the working poor which are starting to emerge now are likely to get a lot worse over the next five to 10 years. We really need to have more of a vision. As well as seeing unemployment as an important issue which needs resources devoted to solving it now, we need to be developing a positive vision of employment based on good jobs and good wages, encouraging skill development and protecting workers without market power. That seems to be lacking in the current government’s reform agenda.

I will now look at some policy directions. Effective employment policy needs to improve the employability of job seekers, and that needs to be done through a developmental approach and not a punitive approach. There have to be enough jobs available. A third key area is that the structure of the labour market and employment policy has to encourage a skilled work force and
not move towards a low-wage, low-productivity sector which will see large numbers of people living in poverty. We need to look at it as a systemic issue, and we need to look at the problems we are currently facing.

There needs to be a commitment to full employment, which seems to have completely dropped off the agenda over the last 15 to 20 years. That comes a lot from an overly narrow economic focus and the desire to control inflation at all accounts. Part of that is not recognising the full cost. This narrow economic focus does not appreciate that the effects of unemployment extend right through society—that is, there are effects on families, mental health, physical health and crime levels. There is a raft of research showing that the effects of unemployment are widespread. I guess the key outcome we seek is a return to the commitment to full employment as a policy goal.

**Major Berris**—We are suggesting that older people now should stay in the work force for much longer, and my wife is one of those who is really cheesed off that she cannot retire at 60 and get her pension; she has to go on longer. It seems to me that government, business, the finance market and so on are suggesting we are required to have an unemployment rate. There are definitely fewer jobs than there are job seekers. Most job seekers actually want a job; they do not like being unemployed. It would seem to me that we ought to affirm and support all those people who are willing to live life without a job and give them a decent wage not to work so that the rest of the people, those who want jobs, could have them rather than be kicked all the time because they are not getting the jobs that are not there.

**Ms Smith**—I want to reinforce some of the points and make the point that full employment is a very worthy economic goal. Given the huge fiscal gap, which when you look to 30 years from now will be evident with the ageing population and some of the labour force and ageing demographic changes in Australia, it is really in the interests of the government now to be ensuring as many people as possible are participating in the labour market and requiring support through the various social spending and social wage requirements.

**Mr Dufty**—I have a concern, and the issue is raised in the simplification discussion paper that is out at the moment. I think that people should be clear that the social security system, or the safety net, is not an employment program. To link a prevention of poverty strategy, which is the social security system, into employment and breaching is a confused policy. That actually directly leads to more poverty.

**Prof. Howe**—This is an area where we have a very new situation, as a number of people have referred to. We used to talk about people being employed or being unemployed. We have a system—which is really a system of social protection—which assumes that people are either in the work force or not in the work force. Also, we have a system which has historically had a gender bias built into it. The assumption is that the male breadwinner will be the one in the work force. To some extent that issue is being addressed. Unlike the pension system, the benefits system is much more prone to quite severe poverty traps. This is quite important. We also need to recognise that as we have more and more people who are underemployed or on very low wages, rather than the state doing less, the state is actually being asked to do more. Look at the blow-out in government expenditure—government is under increasing pressure to make up for what used to be the responsibility of employers. Employers are doing less; governments are being asked to do much more.
This is a key issue in the movement towards a service economy, in which more and more people are working in the so-called service sector, very often in very low-paid jobs and under very unusual conditions in terms of what we used to regard as acceptable. In some ways we have returned to the 1930s in the kind of employment contracts under which many people work. The anti-union rhetoric is, I think, effective in reducing the power of the union movement to protect the legitimate interests of workers and, especially, their families. That is becoming a more and more important issue, particularly as there is pressure—for example, from the five economists—to go further in reducing wages in favour of making that up through some government expenditure.

Employment and unemployment is a much more complex issue than the one we thought about in the mid-seventies. We have an economy in which more people are employed, but the distribution of employment is very different to what it was. For example, there is a much higher proportion of women in the work force, so that becomes very much part of what is accepted—although women, generally speaking, still are largely working part-time or at least have much higher rates of part-time work. A lot of men, of course, are increasingly working part-time. Part-time and casual conditions are putting enormous pressure on many families in terms of their overall return.

There is a challenge to try to return to some form of full employment, but we would need to think about what we actually mean by full employment. Many people working part-time choose to work part-time—they are not working part-time in the sense that the brotherhood suggested. They are not necessarily looking for additional hours; they are looking for that part-time option. If you choose that option, of course, you are subject to quite severe discrimination. Leaving casualisation aside, part-time workers are much less likely to be invested in by employers and much less likely to retain any kind of career credentials. They are being treated, in a way, as the reserve army—people you pull in and pull out according to demand, not people who are being given proper recognition.

If that is true of part-time workers, it is even more true of casual workers, who are not only not likely to get investment in terms of training but also not likely to have a whole range of normal conditions associated with employment—things that we used to take for granted, like sickness leave, superannuation and annual leave. These things are not necessarily available to casual workers, and sometimes they are not available on a pro rata basis to part-time workers. So regulation is an extremely important issue. At a time in which we have gone gang busters—to quote the Prime Minister—on deregulation, we have not looked at the human consequences of that policy. The human consequences are that we now have a growing group of people that you might describe as the working poor. We are not well geared to deal with that particular issue in Australia.

I think this issue is, as has been suggested, quite central to the issue of poverty. One needs to look at the changing nature of work—not just in terms of unemployment but in terms of the unsettling of traditional conditions associated with work, in a new economy which is not all about computers and gee-whiz stuff but is increasingly about people doing hard, boring, unsatisfying work in the middle of the night, like cleaning some bloody office for very poor return and no real security for their family.
There are also spatial issues to do with employment that relate it back to housing. I think Steve Ziguras made a brief reference to this. For example, there is the shift in housing values—this massive crisis that the national institute described—where the actual cost of housing keeps going up, but of course people are increasingly priced out of certain areas. In the inner city in Melbourne today, a little weatherboard cottage with two bedrooms is probably going to cost you somewhere between $300,000 and $400,000. A decent house in the inner city that is similar to what might be in the middle suburbs might cost $800,000. So what is wrong with that? What is wrong with creating cities with cores that are not desperate, like the inner cities in the United States, but are full of well-heeled professionals who are living in this terrific accommodation? I will tell you what is wrong with that. Basically, it creates a city without a labour force in this crucial area. You might say, ‘That is a bit of a nonsense,’ but we know that in London, Ken Livingston—Red Ted—now has a scheme going, which is supported very strongly by private industry and more broadly politically, which insists on a proportion of all new residential developments in inner city London having a strong component of social housing. Why? Because a city like London needs a labour force that can access the central city area.

I will conclude with a final point: I hope that the committee is going to look at the way we define unemployment. Of course we have cleverly defined unemployment in a way that minimises the problem but then creates another problem. Again going back to the national institute and their state of the regions report, over several years you notice that they have modified the definition of unemployment to include disability. They do that because a stronger market approach means that if you have any kind of disability you are less likely to get a job. Effectively we are transferring people onto the disability payment—perhaps for good, well-meaning reasons in terms of the Centrelink offices; nevertheless, it has the effect of reducing the overall levels of unemployment. So if we are going to define poverty, let’s make sure we define unemployment in a way that is fair, reasonable and really gives people a sense of the scale of the problem in Australia.

Mr Caddy—There is no doubt that long-term unemployment leads to entrenched poverty; I think we would all acknowledge that. Increasingly, and I think this is following on from what Brian was talking about, there are types of employment that can lead to entrenched poverty. I refer the committee to the study of Mark Cully of Flinders University, who recently reported on the nature of job growth over the 15 years from 1986 to 2001 and observed that there was quite significant job growth, full-time and part-time, of 1.8 million jobs. A million of those went to the very high-end, professional, qualified sorts of jobs—which was terrific—but the vast majority of the rest of those jobs went to the very lower end as part of this growth of the service industry. A lot of that growth in the service industry actually means that you get your car hand washed for $5 or $10, or your ironing done for $5 an hour. With people in that sort of employment, poverty is increasingly locked into and entrenched in those sorts of households. Under current conditions, where there are more copayments expected for things like education, health and housing, it is going to be impossible for people in that very low end of job growth to get enough money to have their children even move out of poverty, through education and so on, because that is becoming more and more divided.

So what might be the link? The link might be a middle sort of growth, somewhere between that very low end of the job market and the higher end. But those jobs, Cully observes, are disappearing; they are gone. So we have this greater division and growing gap between levels of employment. If that is going to be the way that employment goes—and I do not know if there
are some policies that can ensure that we do grow on the way so that people do have steps out of poverty through employment—we are really going to have to guarantee the protection of wages and conditions at those very low levels, and we are going to have to enforce that very strongly if we are not going to lock in poverty across generations of working poor.

**Major Berris**—With regard to sickness benefit versus sick leave and the issue of businesses covering costs versus government covering costs, some of my staff who have been working with the Salvation Army for many years have got three to six months of sick leave. If those people get sick—from a heart attack or whatever—and have three to six months of sickness, it does not cost the government’s social security system a scrap; it costs us as the employer. But if those people who keep coming to us for assistance, who get a job here and a job there—they are in and they are out and they are casual and all that sort of stuff—get a heart attack and need three months off, they go onto sickness benefits. Is there not some sort of understanding of the cost transfers that happen? That is just one of them. You could almost imagine that for the social security system there would be a real advantage to having people in full-time, long-term employment.

**CHAIR**—The next bit is about income support payments, and this ties in a little bit to where we were just leading.

**Senator FORSHAW**—I just wanted to raise a question, if we are going to move on to another topic, about the role of government in assisting people to get employment. It has been touched on already but I wanted to get some reactions. Previously we had the Commonwealth Employment Service, which of course was essentially abolished by the current government and replaced with the Job Network and a whole range of approaches—transferring a lot of that activity to private companies, agencies and so on. There was a lot of controversy about it, and some Senate committees looked at the whole change. I wanted to raise it today because if government, particularly a federal government, is going to look at constructive ways of assisting people to gain long-term employment, should we be thinking about whether or not the old CES model was a better one? I am interested to hear people’s views about how they think the system is working now.

I raise one example that I am aware of. I can point to a number of country towns in New South Wales where the removal of the CES office has essentially been devastating. These days, with call centres and all these other types of arrangements, services are delivered to people in one part of the country from the other side of the country, including employment assistance. I am chairing another committee in the Senate which is looking at recruitment and training in the Australian Public Service. What we have seen there, of course, is a reduction in Public Service employment over quite a number of years under governments of both persuasions. There has been a massive reduction in the apprenticeships and traineeships that government departments used to provide, because of the changing nature of the work force, technology and so on. What has come through in our inquiry is that, with the devolution of things like training and recruitment within government, each government department is now doing its own thing, in many cases with no coordination or communication across a department. I do not want to pre-empt our committee’s findings but I can say that there does not seem to be any sort of coordinated national policy approach to recruitment within the Australian Public Service. Many people are being recruited at middle levels from private industry as distinct from young people getting an opportunity, as they used to out of school or university, to go into the public sector. I make these comments and I invite some reaction.
Major Berris—It seems to me that in some ways it does not matter who runs the employment agency; the question is whether the jobs are there. It would seem to me that if government can in some way provide mechanisms where there are increased numbers of jobs then that is going to help a lot more than will tinkering around again with the system.

Senator FORSHAW—I appreciate that, but it is also a question of how you actually assist a person to find or even look for a job.

Major Berris—Or to prepare themselves to be job-ready. You have programs like the Personal Support Program, which is highly inadequate in both the way in which it is funded and the rules under which one is paid to achieve things. It just takes so long to work with people to help them to get from where they are to a point where they may be able to take on jobs. Again, you still have to have the jobs.

Mr Ziguras—I have a couple of comments about Job Network. We know from the department of employment’s own evaluation that it is very ineffective in helping disadvantaged job seekers. It has got very poor outcomes. I think there are a couple of reasons for that. One is that we need to keep in mind that when it was established we had about a $1 billion cut out of employment assistance which has never been replaced. The actual level of funding to assist job seekers has been diminished, and that is part of the reason why the system is not working as well as it should be.

I think the other problem is that the way that incentives are set up for Job Network providers means that, in order to survive and make profits, they have a financial incentive to place people with the best chances of getting a job and not invest in those that have got the most difficulties. There is certainly underinvestment in training for disadvantaged people. The incentives are to place people in short-term jobs and get an outcome and, even if they keep cycling and the system keeps going, there are no incentives look at long-term investment and providing upskilling and training.

Mr Dufty—A reflection: St Vincent de Paul has a significant number of people that are active in the non-metropolitan area. The image that comes to my mind about it all is that the national or state building institutions that used to be around are not there any more. I think of the state electricity commission, the gas, fuel and regional water authorities—what else have we got?—the CES, the libraries, and local government’s involvement. That social infrastructure or those institutions have been regionalised, rationalised, billed, owned-operated, transferred, corporatised or whatever. They come and go. You pick your labour market, you throw them in there and then you spit them out. In the past, it was there. There were career paths and there was certainty—all those sorts of things. What people say when you get outside the metro area is that they miss those institutions. They reminisce about them; they want them back. I think there is a lot about investing in social infrastructure that binds people together and does a whole lot of other things. That is just an anecdote.

CHAIR—We might ask the Melbourne Citymission to make a contribution on income support payments.

Dr Robinson—I am afraid Sally James has not been able to stay for this section. The first comment about income support payments is that they again risk conceiving of poverty as
something that is just about how much cash you have or how much cash you get. This is not so much welfare spending as a social security investment. I think it needs to be viewed over the long term rather than in short-term budgetary cycles. I would like to concentrate on young people. We have just heard about how significant employment is as a determinant of long-term poverty. The pathway into employment is critical. I think we have acknowledged the significance of early intervention in early years programs on other areas, but early intervention in employment is that transfer between school and work.

Disadvantaged young people are the group that we primarily work with. They have specific needs, and participation requirements are not always appropriate as a way of getting and supporting people into work through this transition. In some of the discussion around the simplification of welfare payments, the point was made by a number of people—and I would like to repeat it—that mutual obligation exists over time, rather than being a contractual arrangement of ‘I pay you for this two weeks, and this is what you do’. It does not work if you have already come from a family where you are experiencing multiple disadvantage. What is most likely to happen is that you get intergenerational cycles of poverty. We have found at Melbourne Citymission that income support payments for young people need to be embedded within the other structures. I completely agree with the role of the CES and Centrelink as well, because I gather that it is possible that Centrelink is also contestable.

We operate a service in the CBD called Frontyard. A number of other agencies operate similar one-stop shop youth models. The Centrelink community support unit works within Frontyard, so income payments are structured with a legal service, a medical service, a statewide telephone referral service and the Commonwealth Reconnect service, which focuses on family reunification. That model is a much more coordinated approach to the sorts of transitional requirements that young disadvantaged people have at that period in their lives—they are often homeless or have psychiatric disabilities. I can only stress that the participation requirement can be utterly inappropriate at this point and that, as I said before, breaching simply ejects people from a social security system into the welfare system, which is the non-government sector. The responsibility around welfare payments is partly about adequacy of payments, partly about multiple support structures and partly about ensuring that people cannot drop through this net.

CHAIR—Would the Brotherhood of St Laurence like to add to that?

Dr Ziguras—I will pick out three or four issues around social security, which cover some of the points that people have started to make about links with employment. The first point we would like to make is that, from our point of view at least, the primary purpose of the social security system is to prevent people living in poverty. Currently, the levels of payments for some groups mean that it is failing miserably in that. This is particularly the case for young people, as we have heard, who are facing a range of disadvantages. The payments for young people, particularly those under 21, are so low that it is almost impossible for them to live and they rely on agencies like ours, emergency relief and a whole bunch of things just to get by.

If we are talking about setting ideas of what the poverty line is, someone recently—I think it was Michael Keating, the former head of the Department of the Prime Minister and Cabinet—made the comment that there is a de facto poverty line in Australia, which is the level of the age pension. We have linked the age pension to average weekly earnings so that it is always set at the level of 25 per cent. There is an argument to say that anyone below that is living in poverty, but
we have a situation where allowances are currently set at a lower level than pensions because of a historical legacy that no longer applies. The way that the allowances are updated means that they are always getting behind the pension.

The distinction between allowances and pensions came about because allowances or benefits were supposed to be short term—they were supposed to be only for a matter of weeks and people did not need the same level of support that they would for the pension, which was long term. However, we know that lots of people are living for months and years on levels that are absolutely inadequate. For example, we know that the number of people who have been on Newstart for longer than a year has not diminished in the last six years. As an indicator of the performance of the labour market and the social security system, it is an indictment that people have been on benefits for that length of time. It is not getting any better, despite the economic growth we have had. The first thing that we would say is that all payments should be based on this level of 25 per cent of male average weekly earnings. That is obviously not something you can do overnight but it is an aim that we should be working towards.

The second point is around the active labour market policy or the extent to which social security policy helps or supports people to get into jobs. Our point of view is that that is a legitimate role for social security but not the primary role. It is a legitimate role to look at how people can be supported to get into work, and that is a trend internationally in thinking about ways that that can be done. We do not have a problem with that as an aim.

Some of the things that are currently part of the system are helpful, but you would have to say that, overall, the system as it operates at the moment relies far too much on obligations and compulsion, based on the idea that people have to be banged over the head or they will not do anything. From our experience that is just nonsense. We know that people want to work, they are trying the best that they can to find jobs, and they face a whole lot of barriers to getting into employment, including, as we have heard, the fact that there are six people for every job vacancy. The system of providing more compulsion and more obligations is just obscene. When you link that with the breach penalties, we are talking about $800, $1,200 or $1,500 being applied to people who are the poorest in our society.

I want to acknowledge that there have been some changes. I think the government has started to hear some of the messages that we and other members of the community sector have been putting to it. They have made some positive changes to breaching recently. We do not think that they go far enough. We would say that there is a need to reduce some penalties for second breaches. The government has introduced something for first breach penalties, which is a positive initiative, but it does not go far enough.

I think the overall issue here is that, if we are looking at people who are long-term unemployed and the most disadvantaged, more compulsion does not help. That is a message that we really need to get across. We do need obligations in the system and people do need to demonstrate that they are looking for work, and we do not have any problem with that as a criteria, but there needs to be much more emphasis on support, training, work experience, and so on, which is missing from the system at the moment. European countries which also have an emphasis on obligations do far more in terms of providing opportunities for training and combining personal support, particularly for work experience, which is a really big gap in our
system at the moment. The connections between the Job Network and social security are really falling down there.

We have been doing some work with Hanover and Melbourne Citymission, particularly for disadvantaged job seekers. It is not really a question of trying to tackle one thing and then going on to something else. We know that these people are often homeless or have an experience of homelessness; sometimes they have mental health or drug issues, a lack of work experience, a lack of skills, and so on. The way the system is set up at the moment is to provide a whole lot of different services and assume that one will tackle one thing and one will tackle something else, but they are very disconnected. Often there is some sort of an understanding that you deal with the homelessness and then you deal with the job issues later, but in fact you cannot really disconnect them. I think one of the ways forward, particularly for this group, is to look at some ideas about programs that try and bring those things together in a much more coherent way than they exist at the moment.

The last thing I want to talk about is a bit along the lines that Brian and others have suggested about the role of the social security system, given that we have a fragmented, casualised workplace, especially for people who are low skilled and most vulnerable to unemployment. Certainly lots of people would have been talking about the marginal tax rates that people face on social security payments. When people get part-time or casual work they lose up to 87 per cent of their earnings because of the combination of tax and the withdrawal of benefits. That has a major impact, of course, on what jobs people can take up and their perceptions of the value of work.

Psychologically, I think the health care card is a really big issue for people. Health care cards give access to public transport, medication, and a whole bunch of things, and when people start working full time they lose access to them. One of the things that the committee might consider is ways to maintain entitlement to health care card benefits, at least for some time after people get into work, to help overcome some of those barriers.

But I think there is a bigger question about the extent to which the social security system should be subsidising the fragmentation of the work force. As we have heard, this system benefits employers—there is much more flexibility, they can bring people on as they like—but the costs are being borne by the social security system. Apart from the philosophical issue about how much you want the government to support those changes, there are a few issues about how you combine receipt of social security payments with picking up whatever casual or part-time work is available. If we assume that, at least in the immediate future, we will have a continuing fairly fragmented work force, then an important issue to think about is not how to get people from welfare to work but how to allow them to combine both of those. That is obviously quite a difficult question and one that I know the Department of Family and Community Services is starting to think about.

There are both financial penalties and administrative barriers that at the moment act against people taking up casual work. Apart from losing so much of their earnings, there are all these administrative things they have to do to keep signed on, if you like, so that they do not go through a whole application process when they have to go back to social security when the job finishes. Some of those things require a lot of thinking through.
Prof. Howe—I want to raise a broader, bigger picture issue. If you think about poverty in 1975, you were essentially talking about the aged and you were able to cope in a sense in that period without huge amounts of poverty because you had extremely high rates of home ownership. Why did you have that? People purchasing and owning a home was part of the postwar culture, and that meant that you had a justification for what is a relatively low rate of pension. Henderson and the other experts say, ‘Australia is very mean, one of the meanest countries in the world.’ I suppose the answer to that is to say, ‘Well, you don’t understand the Australian system.’ In that postwar period, the Australian system was a low pension—but not too many traps about it—together with home ownership strongly supported by the government, and you had extremely high rates of home ownership.

In 1975, we lost full employment and went into a more precarious kind of labour market and a very different set of social and economic conditions. Remember that 25 per cent is an absolute bedrock kind of pension. It is not generous by international standards, but it is supported by support for home ownership. Home ownership rates are now falling. Why are they falling? They are falling because in our government and the following government have said that we want to change the savings culture. We have said, ‘We overinvest in home ownership and we need to be investing more in a more flexible instrument like superannuation that will provide for savings and also be a source of investment for our economy and so on.’ So we made that shift. At the same time we said, ‘We’ll keep the 25 per cent there and that will be the safety net,’ so we introduced a two-tier system.

It is now a fairly tricky thing for younger people to save, because they are also getting increasing HECS and student loan debts, together with facing up to the home purchase thing—if they can manage it—knowing that they have compulsory superannuation that keeps going up, paying the Medicare levy and a few other things. There is a savings challenge, if you like, and the effect of that for young people is that they partner much later, they have children much later and they buy a home much later—or maybe the home comes before the kids. Usually, people like to settle before they make the big decision of having children. That affects that life course.

Unemployment, unlike poverty amongst the aged, is now occurring at a time when people are supposed to be at the high point of their earnings. Unemployment is occurring in that 20- to 40-year old age group and the numbers are increasing. I do not know the numbers, but I gather a very large number of families now have no-one in work in their households. In other words, people at a crucial period of their lives are facing up to the fact that they have to survive without an income. Back to the savings theme, because what is happening now is that a lot of these people in the course of their lives—unlike the previous generation out there in Newtown, who were all in employment and were able to save a little bit—are not going to be in employment and they are not going to be saving at all. That is why in other countries people are talking about how they can cope with the problem of saving, which is about preventing poverty. As people around the table will tell you, when people have to dig in for support it is very often because they cannot cope with that big purchase, a big health problem or whatever: it is crisis driven. And there is no protection because the government—I think stupidly—now says you must exhaust all your savings before you become entitled to benefits. That sends completely the wrong signal. People are surviving on benefits or a combination of benefits and a very low wage.

So what happens down the track? When people first thought about the welfare state and about social security and so on, they thought—even as Rowntree thought in the 19th century—in life
course terms. People have to get through their lives. How are they going to get through their lives in terms of saving? It seems to me that this committee, which is looking at poverty, ought to look at what changes we have to make to the social security system—and income security in a broad sense—when we know that we are talking about a different demographic cohort; people in the middle of their lives who, through marriage break-up, unemployment, sickness, disability or whatever, are forced to live, at a key saving time, on an absolute minimum payment—even more minimum if you take Steve’s point about allowance. That is a very big problem.

In terms of the aged—because we love the aged—we have come up with a solution. We have made sure that the baby-boomers, although they might not do as well as they would like to from their savings and superannuation, will, by God, do a lot better than the old 25-percenters. But for this next group, this cohort that is coming here, how are we going to deal with that saving issue? It is not just about income support payments; it is really about income security, which is why ‘welfare’ is a terrible term. Welfare comes out of the United States, which has really never had a welfare state in the Australian, British or European sense. It has always had the poor law. Do we want to have a country that lives by the poor law, requiring people to go into workhouses—that is the kind of mentality we are encouraging in Australia with mutual obligation and all that kind of thing, ripping even the basic payment off people for breaching—or do we want to live in a society in which people are treated with dignity?

The current situation, I heard last night at the Brotherhood board meeting—a very informative meeting—is that two-thirds of the wealth in Australia is owned by 20 per cent of households; 20 per cent of households own two-thirds of the wealth. That is why poverty is not only about income; it is also about inequality. If we share our assets so unequally then somebody is going to have to pay the bill for that some time. I think it will mean down the track that the next generation—when our kids are the prime earners—will be looking after a generation of people who were not properly protected, because of the narrow-mindedness and lack of forethought of this generation of politicians. Sure, they looked after the baby-boomers and got the super in place, but in terms of the people in the midstream they have not done so well. I have a recommendation: I think this committee ought to look at that savings issue when it looks at the income support issue. It is not just about dressing up the old system and plotting a few extra payments; it is also about thinking about the structure.

I will conclude with this point about disability. We are really worried about disability payments: ‘They’re blowing out—it’s terrible.’ There are some reasons why we should be worried. The number of younger people on disability payments is much higher in Australia, I gather, than it is in other countries—not so much the older group, but the younger group. That is a real signal that something is going on here that we should be very worried about. But think of the worker who gets disabled or hurt at work and then is entitled to, under the various state based workers compensation schemes, some 80 per cent of his previous income for a period of time and so on, has a graduated return to work, has his medical bills looked after, is sent off to the physio, and is treated in a humane and decent manner. This is as opposed to the person who has to sit on the disability pension, who gets only 25 per cent of his previous earnings and who might get a bit of help from the Commonwealth Rehabilitation Service et cetera. In other words, as Titmus said, ‘Don’t just think in terms of what the government system is; think in terms of what is available in society.’
In Australia we have a private system, effectively, of insurance for people who are disabled and we have a public system which is pretty bloody lousy. Ken Henry, at the Henderson renewal of the institute dinner—or whatever it was—to thank the institute for its good work over 40 years, said: ‘The next target for Treasury is the disabled.’ He was very clear that that is what it is all about. The Henderson family nearly collapsed. They thought: ‘What’ve we come to?’ That is Ken Henry, the head of Treasury, forecasting the agenda. Before we do that, let us have a look at how well or not so well we treat people with insurance, whether it is motor accident based insurance or whether it is the compensation system, as opposed to how well we treat people who are dependent on the government disability scheme. There are some bigger picture issues here on income security that somebody at some point has to tackle, and the Senate would be a pretty good place to start tackling those issues.

CHAIR—Education is the next item. Dr Kertesz, would you like to begin?

Dr Kertesz—One of the reasons I want to talk about education is that Anglicare works with low-income families whose children are in schools but also with children and young people in out-of-home care, who often have great difficulty in remaining within the education system at all. Education is absolutely crucial in terms of future employment. People with low levels of education are more likely to be unemployed and to be unemployed for longer. But a good education also leads to the development of personal strengths, personal skills and self-esteem, which develops resilience throughout the whole life course and cannot be underestimated in its importance. School retention is lower for children with unskilled parents and children from low-income families. The rates of unemployment for youth who do not finish year 12 are considerably higher than for the young people who do finish year 12.

There are two issues that I want to raise around school retention and participation—one is costs. Some mention was made earlier today about the difficulties for families of providing the expenses of sending their kids to school. Ray mentioned an example of a family, and he talked about the initial setting up costs at the beginning of the year. But families also struggle with the voluntary fees and affording school excursions, school camps and swimming lessons. The impact on children who cannot do that or who choose not to even ask their parents to do that because they know how much it will worry their parents, children who feel very much excluded from their class, again, cannot be underestimated in terms of their experience of school and whether or not it is a positive experience. The issue of access to computers was also raised this morning. Experience of school is, I think, an absolutely crucial issue in terms of kids staying at school. Kids coming from low-income families are much more likely to be affected by issues such as poor mental or physical health, unsuitable housing and conflictual family relationships. It is really hard to learn if what is going on in your mind is the fight that your parents had that morning; it is really hard to concentrate on what you are meant to be doing at school.

The other issue is often access to schools as schools have got bigger and there are fewer of them. Public transport costs can be an issue, and that is a particular issue in rural and regional Australia. A lot of research indicates that kids who are having problems in, say, in year 6 and year 7 have had problems right through their school lives, so that first year of school is absolutely crucial to a child’s whole school career, then to employment and their whole life course. School readiness, again, is an absolutely crucial issue. It is great to have seen the early childhood initiatives that have been increasingly discussed recently. I cannot emphasise enough that it is not only a child’s experience of school, whether a child can do it and is having fun; it is
also how much a child’s reputation can be established in that first few months of school and can follow them right through school.

We talked a little bit, when we were talking about housing, about communities where there is high unemployment and concentrations of people with low incomes who are struggling with a whole range of issues. I think it impacts on education in the sense that a teacher who is trying to teach a class with a high proportion of kids who are struggling is going to find it much more difficult to actually do the teaching rather than the crowd control, if you like. Students in classes like that and in schools in those areas are all going to do less well than students at schools where there is a much lower proportion of children who are needing specialist help and specialist programs. School resourcing does not reflect this reality: public schools have sometimes become sites for the concentration of social and economic disadvantage.

This also has an impact going on to higher education. Again, higher education is a key pathway to employment, particularly better paid employment. Over the last few years there has been significant growth in numbers at higher education institutions, but the distribution of the students getting those places continues to be inequitable. The proportion of students from low socioeconomic areas and from rural and isolated areas has actually dropped, despite this significant growth. I will mention two possible reasons for that. One is the issue of school experience and participation, which I have already highlighted; that makes it harder for students to attain the marks they need to get into higher education institutions. The other is the cost of higher education, which puts it out of reach for a number of young people.

The way the higher education system is structured, universities are seen as the most prestigious sites for higher education, even among low income families. A broader range of educational pathways would be very useful in terms of giving young people a range of options that would lead them into higher education and therefore into employment and the rest of their lives.

Mr Martin—Education is doubly important to the inquiry because it is not only the place where the experience of the disadvantage of poverty takes place but also the place where, all too often, intergenerational poverty is perpetuated and exacerbated. If we do not give kids a fair go in schools, we are unlikely to do much about intergenerational poverty and disadvantage. The relationship between the socioeconomic circumstances of children and educational outcomes has been well established over many years. It is still the major determinant of the educational achievement of children. I will recommend—like any good teacher—a couple of good books that you can read at home. The first one, Undemocratic Schooling, by Professor Richard Teese, examines the outcomes from the VCE here in Melbourne and shows that, basically, your postcode determines your result. I think it is very important that we recognise that.

A discussion about poverty in schools is intertwined with the issues of equity and disadvantage, and I am pleased to note that the terms of reference acknowledge that connection. The OECD PISA results across 32 OECD countries showed that, whilst Australia does pretty well—in fact it is near the top—on average, it rates very poorly with regard to equity. That is something we need to address. We have one of the widest spreads of success among most of the countries in the OECD.
This is getting worse, and there are a number of reasons. First of all, schools have become increasingly dependent on voluntary fees and user pay charges, as my colleague said. I would like to recommend a second book, which I think is an even more important read than the first one: *Schooling the Rustbelt Kids* by Pat Thomson, who was principal at Paralowie in South Australia for a very long time. I will read an extract from that book. Describing the situation for schools with regard to voluntary fees, it says:

- Many students have no money for educational expenses. A few schools in areas of very high unemployment find that the majority of their students cannot afford to pay for activities such as swimming, a visit to the theatre, the bus fare to work experience or for art materials to do their homework projects. In order not to single out those children, or to deny them these activities, these schools find themselves in the position where they have to provide everything at only a token cost or completely free. This skews school budgets and programs. These rustbelt schools spend more money, of which they often have less, on things that do not appear in the ledgers of schools in other locations and they thus have little money for the things (such as computers) to which leafy, green schools devote large sums, and their colleague rustbelt schools spend some.

And sometimes students just miss out.

The resource differences between schools have become more critical. The introduction of the SES model by the Commonwealth is increasing the gap between some very well resourced private schools and some very poor public schools. Policies of choice and diversity have become linked to buying the level of school resourcing that parents can afford. There is an increasing concern among parents about the socioeconomic milieu of a school and an increasing tendency for schools to become polarised in terms of the communities they serve. We have heard about how housing is becoming more segregated. That of course reflects itself in the schools, but then you have the additional factor of the hollowing out of those schools, because those parents who can afford it move into private schools. The more difficult the school is, the more pressure there is on the parents who can afford it to move out, leaving the school with a harder and harder group of students.

There is an increasing tendency to brand any school catering to lower achieving and poorer students as a low performing school. There is very little incentive for schools to give much attention to the people who are in need of the most attention. Therefore, poverty, disadvantage and equity are issues at a school level, not just an individual level. It is possible to talk of impoverished schools. These are schools with large numbers of students experiencing financial hardship, lower literacy and other academic achievement, a greater number of disengaged or alienated students and more students with high needs but less capacity to raise funds locally. They then become hard to staff schools. There is an accumulation and compounding of problems. We need programs directed at those schools suffering the greatest accumulations.

A lot of these problems are also cumulative in communities, as we have been discussing this morning. Therefore, there is a need for a whole of government approach operationalised at the local level. The AEU supports the concept of full service schools in which the school is the centre from which a range of support services is available to students and families. The situation with regard to Indigenous students is now well understood to be particularly alarming, and it is appropriate that there be special programs to tackle this. In our submission we included a separate section on Indigenous students. I am not going to spend a lot of time on it. Everything that is said applies in an exaggerated way to Indigenous students.
Work by the Dusseldorp Skills Forum and the Business Council of Australia shows that this is also in the national interest. There is a connection between poverty and disadvantage and non-completion of schooling and unemployment, which is a national cost. They put it at $74,000 per student over their lifetime, or $2.6 billion per cohort. There is a similar link to crime, which the New South Wales Crime Commission is showing. The conclusion is clear: both equity and the national interest require public policy to be directed towards improving the performance and retention of those with lower achievement, who are generally those from poorer financial backgrounds and who are increasingly distilled into public schools. This must include curriculum reform.

We think that, first of all, government should create a national plan for universal preschool. The people who are missing out on preschool are the people from the poorest families. Preschool is becoming recognised as increasingly important in setting the pattern for the way that you go through school. We believe that there should be a national plan for universal preschool.

Secondly, we must develop and fund appropriate programs for schools. The Commonwealth should play a lead role in there being more funding, more development and more programs. We are particularly anxious to see pilots for full-service schools and also an examination of the ways in which we can use schools to overcome some of the poverty and the intergenerational transfer of poverty. We think there needs to be a lot of action research in that area. In section 9 of our submission, we have outlined the characteristics of good programs; I am not going to go through all of them now but I refer the committee to them.

Finally, we believe that equity is something that needs to be considered in all policy decisions in education. You cannot set your policy, which is increasingly becoming one of creating greater gaps between people in education, and then put a few thousand dollars into trying to ameliorate some of the circumstances. We are now supportive of the notions of equity audits or something along those lines in regard to all major policies that are implemented in respect of schooling.

Senator FORSHAW—In your submission, Mr Martin, on page 12 it says:

It costs more than $1100 for a Year 7 pupil at a state school to get a uniform, text books, stationery and public transport ticket.

That is taken from an article in the Herald Sun. Do you have an estimate of the costs for the family of a child, say, in high school—or, for that matter, in primary school—for those other costs that they are expected to meet, such as school fees in a state school?

Mr Martin—We did some work on that a few years ago. I am afraid I have not got the figures in my head.

Senator FORSHAW—Please take it on notice.

Mr Martin—Yes, I will do that.

Senator FORSHAW—It is certainly something we all hear increasingly about: the schools have to keep asking the parents and the P&Cs to put more in, so please come back to us on that issue. I noticed in your submission that you also referred to the program run by the AEU and the
CFMEU—the 'breakfast for kids' program. This is something that I continually hear is happening even in relatively affluent areas where, because both parents have to go to work, numbers of kids turn up at school without having eaten breakfast. Also, there is the pressure that is being applied to schools with respect to providing before- and after-school facilities, and there is a lack of funding and support for that program.

Mr Martin—In relation to your first question, off the top of my head I would say that the average amount parents are asked for is somewhere in the region of $2,000 to $10,000, depending on the school.

Senator FORSHAW—If you could give us some data it would be helpful in terms of our future thinking in that area.

Senator GREIG—My question was very similar to the one Senator Forshaw asked. I recall reading about a case in my home state of WA recently where a school headmaster was continually frustrated by so many of his kids in a disadvantaged area turning up without having eaten breakfast. He was unsuccessful, I gather, at getting state or Commonwealth help for that, and so he began providing the breakfasts through a local support group. It proved to be tremendously successful. I was wondering whether it was a Western Australian phenomenon or a national phenomenon. Do many young kids turn up suffering from a lack of nutrition, unable to concentrate and malnourished, and generally disrupt the school as a consequence of what they are experiencing at home?

Mr Martin—It is, quite clearly, national. Programs such as the ones in Victoria and so on show that, when programs are provided, there is certainly no shortage of people who are lining up for the food. It is associated primarily with the inability to pay, but there are of course other social factors such as people going off to work early and those kinds of things. One of the difficulties that we have is with the move from disadvantaged schools programs to an emphasis on literacy and numeracy outcomes, which is what has happened with Commonwealth funding. We do not disagree with the fact that literacy and numeracy are very important, but the previous arrangement left considerably more flexibility at the school level. It goes without saying that if you are hungry you are not too good at learning how to read, and sometimes you need to deal with the first problem first.

Ms Lowy—The relationship between poverty and primary and secondary education is particularly important. Even those students who make it to tertiary education, if they are independent and particularly if they come from families which are themselves in poverty, find it difficult to continue their tertiary education. I have had classes in which I have asked students, ‘If your boss asked you to do something on a day on which an essay was due, which one would you choose to do?’ and almost 100 per cent of my students—whatever background they came from; and this was a university where most students came from a state school background—said that they would choose to do the part-time work that their boss had asked them to do. On many occasions, students would forfeit their degrees because they were unable to finish them.

Mr Dufty—in response to the senator’s question: St Vincent de Paul has been involved in three types of programs for school-age children in Victoria with regard to poverty. The first one was where we had letters written to us seeking financial assistance so that parent groups could set up emergency breakfast clubs. In addition to that, some schools have shifted their
lunchbreaks to an earlier time. They have their break at about 11 o’clock and they have this sort of brunch instead of lunch—that is, they do not have a breakfast or a lunch; they have a brunch.

Also, we have just initiated and are expanding a school-bridging program, as it has been identified, particularly in the country areas, that the financial barriers between primary and secondary and secondary and tertiary are significant for non-metro families because of additional travel costs, computer purchases, school books and so on. We are providing a scholarship to help families bridge those gaps at that particular time.

**Ms Atkins**—I want to pick up on Gavin’s point and Roy’s point regarding children coming to school who may be needing food or bringing to school the family problems that they have at home, which affects their educational outcomes. An emphasis on literacy and numeracy is important but, if you are not addressing those social issues, you are not going to achieve those. A student’s parents may have drug and alcohol issues or mental illness, and the parents may not be receiving support for those because of the decline in community support services. That impacts on the child’s participation at school.

They may not be getting fed at home, but it may be broader than the family not being able to afford breakfast. It may be because the parents are not capable of making sure the kids are fed before they go to school, so they are sent to school without food. There are broader issues than income. Hence, VCOSS supports the AEU and the concept of full-service schools in community resource zones. The model is framed differently, but VCOSS supports that quite strongly as an alternative way to support children and to support families.

**Ms Tuohy**—It is a pity that you probably do not have time to discuss this further now, but there are some excellent schools in Melbourne that run the full-service school model. Some of them are in areas that you would traditionally see as disadvantaged. I myself went to one school, expecting probably to come across a school that was not coping very well, and I was delighted to find a vibrant school that offered such a broad range of support services and approached each child in a holistic way. That is the Olympic Village Secondary School in Heidelberg, which has totally embraced that full-service school model. A lot has been written about it, and there has been a lot of research and analysis of the outcomes of the model that that school has embraced. I would be happy to provide some information on that particular model.

**Senator LEES**—Where would they get the initial money they would need to do some of those things?

**Ms Tuohy**—It has come from a partnership. In that particular instance, it was with Berry Street, which is an Anglican church welfare organisation. Through putting in some initial money, it attracted funding from a philanthropic trust, the Myer Foundation, to develop programs for. I think, a three- or five-year process. I think the hope was that, as some outcomes were achieved, that would then attract some government funding. I am not sure of the outcome. But it is really worth celebrating that model. As Carolyn says, it really works.

**Ms Atkins**—The school currently has an application in to the Department of Education and Training here in Victoria. That has now been sitting there for nine months, so there are issues around ensuring government support for initiatives that have been demonstrated to be very successful in achieving those outcomes for a range of students. That has been demonstrated by
community organisations through philanthropic support. I think there needs to be much more impetus to support those initiatives and provide the funding to seed those quite innovative programs. You cannot guarantee that it is going to be a success by saying, ‘Here’s X number of dollars,’ but you need to take that risk in order to achieve those outcomes.

Senator HUMPHRIES—I just want to clarify something with Mr Martin and Dr Kertesz. You are not saying that the kind of need or disadvantage you spoke about is a problem that is wholly of the state school system. You acknowledge that very often there are some very poor non-government schools in some parts of Australia. In fact, the poorest schools can be the Catholic systemic schools. I assume you are arguing for some kind of system that identifies needs and puts resources into those needs, irrespective of the system they fall into, as the best kind of response to this problem?

Mr Martin—In terms of dealing with poverty, the answer to your broad question is yes. I will just say that I would like to discuss with you the notion of poor Catholic schools if you believe that that is the case. In fact, the Senate inquiry into disabilities includes an appendix that would dispute the level of poverty that currently exists in Catholic systemic schools.

CHAIR—Dr Kertesz, would you like to comment?

Dr Kertesz—I do not have anything to add to that.

Senator McLUCAS—I have a question on a slightly different issue. We talk a lot about the transition from primary school to secondary school, and from secondary school to work or tertiary education. The area that troubles me is the transition from child care to preschool. There is some evidence—though I have not seen any recently—that indicates that we are not actually giving children a preschool year, because they are in child care, and that is a supported situation in a financial sense. Then they move into preschool, but they are not going into preschool; they are then going straight into the first year of formal education. Do you have any comments about whether that is still the case and whether we need to look at the transition from child care to preschool?

Dr Kertesz—I would make the point that many families who are really struggling cannot afford child care and often cannot afford kindergarten either. There are children who go into the first year of schooling—and in my experience it has been preschool—without any kind of school readiness preparation at all. Is your specific point about whether schools are providing a preschool year?

Senator McLUCAS—It is not a question of whether or not they are providing it; it is more a question of whether children at risk are having that year of preformal education.

Dr Kertesz—Many children are not getting anything at all. I wonder if anyone else can add anything.

Mr Martin—Section 4.6 of our submission reads:
The Report on Government Services 2002 has indicated that around 83.7% of four year olds (five year olds in WA) attended preschool in the year prior to school in 2000-01. This ranges from 100% in Queensland to 64.3% in New South Wales, although there are some reasons for caution in data interpretation.

Nonetheless, more than 16% of children in Australia miss out on preschool education. A conservative estimate would be that over 40,000 children are missing out ...

**Senator McLUCAS**—Is that data a result of the fact that we describe preschool differently state by state—for instance, in Queensland it is called preschool but here it is called kindergarten?

**Mr Martin**—No, that is not the reason for the data, although that is a very big issue. The issue of the division between child care and preschool is a matter of considerable contention in a whole range of places. We would not like to make too big a division. In fact, we believe that education starts much earlier than when you actually go through a school door and that we need to look at what is happening in child care and so on. The publication referred to there is an AEU publication. I will send a copy of that to the committee secretary. It was a piece of research undertaken to try to pull together all the anomalous data across the states. It is the best attempt that has been made to look at the national picture.

**Ms Atkins**—The perspective of VCOSS is that children are not going to preschool, not because they have gone to child care but because many families are unable to afford for their children to go to preschool, either because they are not able to afford the preschool fees or because they are not able to afford the transport to preschool. This is particularly the case in rural areas. Some research we conducted last year down in far-east Gippsland showed that the majority of children from Lakes Entrance to Orbost were not going to preschool, particularly if their families were on farms and their parents were unable to run their child half an hour plus into town for a morning or an afternoon program. Those issues are quite real, and some of them were highlighted when we held a number of focus groups—people were not able to afford the fees to get their child to school, and there was the issue of public transport. If they were reliant on public transport, there was none that operated at those times. There is a multitude of issues as to why the children may not be going to preschool. There is then a subsequent impact on their learning.

**Senator LEES**—What is the cost of preschool across Victoria? What sorts of fees are parents likely to be asked for? I will put that question on notice.

**Mr Caddy**—I would like to follow up on one point. Senator Humphries brought up the position of disadvantage in the Catholic system. I am not sure if the National Catholic Education Commission has made a written submission to this inquiry, but I would be quite happy to follow up on that issue. I do not speak for the education commission, but I am aware that the Catholic system receives a block of grants rather than those going to individual schools. As a result, it receives less money than it would if it had been individual schools receiving the money. It wanted to hold on to the block grants because that enables it to distribute the money on a needs basis under an equity formula that is somewhat different to the other ones. I am quite happy to follow that up.

*Proceedings suspended from 1.06 p.m. to 1.47 p.m.*
CHAIR—We will now deal with health. We are going to ask questions of the Centre for Public Policy. After that we will have two discussions—one on the groups at major risk of poverty and one on future directions. Regarding the discussion on the groups at major risk of poverty, I ask those who are going to make a presentation on this to do so all at once, then I will ask people to make generic comments as they come up.

Ms Lowy—I will try to keep this as brief as possible, particularly because health has been a matter of rather more general discussion than it was when we wrote the submission. As a matter of principle, health is a primary good. Without it, other goods in the ordinary life of the community cannot be enjoyed. Another matter of principle is that the only reason for the provision of health care should be need and not the capacity to pay, nor indeed better knowledge or better contacts within society. It should not rely on either money or capital of other kinds. Different health care systems suffer from different dysfunctions, and those dysfunctions usually affect the poor more than others. The tactic of this part of our submission is to look at the dysfunctions of this system and the way in which they affect the poor.

Systemic dysfunction in the Australian health care system includes, first and foremost, the influence of the medical profession, especially through the professional organisation the AMA and, in particular, through the insistence on fee for service provisions. The dysfunction also includes the influence of the private medical insurance industry, the frequency of changes since the introduction of Medibank mark 1 for political purposes, the funding complexities over two levels of government, and the tradition and prevalence of targeting and means testing in other areas of welfare in the welfare state, which may or may not be justified, which then lead to the expectation that targeting is also appropriate in health care—so it is the expectation which we identify as a dysfunction.

There are consequences for the poor. These include the uneven geographical distribution of health care, especially primary care but also specialist and ancillary care, as a consequence of health care workers’ preference and funding complexities. There is an uneven geographical distribution of, and sharp overall reduction since 1996 in, the availability of care without payment as a consequence of, especially, primary doctor preference and AMA hostility to bulk-billing. This is the issue that is being discussed and addressed currently. There are overcrowded emergency facilities, partly as a consequence of the above but also as a consequence of a lack of funding. There are run-down public hospitals as a consequence of the funding diversion to the private system through the subsidy to private insurance and a consequence of the funding complexities. There is the tendency of individual practitioners and policy makers to favour means testing of at least some and, as we can see at the moment in the current suggestions in front of the Senate, particularly without the means testing of bulk-billing. Finally, there are the unintended consequences of the necessity for payment for primary care, which may lead to difficulties for people within the social security system. This is an unintended consequence and an example of the things that we have been trying to emphasise—namely, the whole system interactions: social security, health, health care and so on.

The current discussion about the decline in bulk-billing is relevant and provides the most current example of the development of a two-tier system. Even assuming that, as under the current suggestions by the government, people with health care cards are bulk-billed, the decline in bulk-billing still has an effect on the working poor. Firstly, no out-of-pocket visits to the doctor will not be available to the working poor. Secondly, where there is a visit to a doctor who
does not bulk-bill, the gap is likely to be unaffordable for the working poor, and is likely to become more unaffordable. All of this will have an effect on the health of the poor.

We suggest that, ideally, the best outcomes would be achieved by addressing the various sources of dysfunction in the system as a whole rather than by tinkering with the system. The plan which we suggest as a matter of policy would maintain the principles of health care provision, especially for the poor, and provide a less radical set of changes than might otherwise emerge—that is to say, the dismantling of Medicare altogether. We begin from the point that there should be no up-front payment for quality care and that care should be available to all. We understand, of course, that there is payment through the taxation system and that that payment should continue to be graduated according to income.

We recognise that bulk-billing is a bit difficult to address—our submission was made before the current government’s suggestions—but what I am trying to do at the moment is to take into account what is in front of you. The idea that bulk-billing was meant for the old and the poor in the original Medibank arrangements and that there is a return to aspects of the Medibank arrangements under Medicare is just false. This has been pointed out again and again—particularly, if you want to be entirely up to date, in yesterday’s Australian by one of the founding fathers of Medicare, John Deebele.

The idea of bulk-billing was to provide both a favourable outcome in primary care for everyone and a quid pro quo for the medical practitioners—the quid pro quo being the lack of administrative work to be done in recovering bad debts. That quid pro quo has gone, particularly because of electronic means of payment. Many people pay for practitioner consultations either by credit card or, if they are better off, by EFTPOS. Many poor people, if they are paying, will find that they are unable to repay not the doctor but the bank; so the bank has taken over the bad debt situation from the doctor. What sort of quid pro quo do we suggest? We suggest the encouragement of group practices which, of themselves, would be an improvement on the current situation—particularly for the poor—because we are not just talking about primary care; we are also talking about specialist care and, in particular, ancillary care.

Group practices should receive a higher rebate if they include not only medical practitioners but also ancillary medical staff—possibly practising nurses, but not so much nurses as podiatrists, nutritionists and the various other ancillary medical staff which make for good preventative care. Good practices of this kind should be rebated at a higher rate than they are at the moment, but only if all the members of the group practice bulk-bill and only if they all bulk-bill everyone who is a patient of the practice. Such a system would pay for itself in the reduction in the need for acute admissions and the reduction in chronic conditions, such as diabetes, high blood pressure and arthritis to name a few. Those reductions would show up in fewer acute places being needed in the public hospital system and, in particular, in a reduced need for the vast amount of medication that is required at the moment—medication that is not always necessary if primary and ancillary services are available. Such a system, while providing an incentive for health care professionals to provide bulk-billed team based services, would both fulfil their demands for higher payment and their attachment to fee-for-service payment.

There is here an understanding that the old community health model was unsustainable and did not work in the face of the antagonism of the profession. This takes into account the necessity of keeping the profession on side. Such a system would allow for cooperative
initiatives—and possibly corporate ones—while allowing them to practise side by side and to compete in quality of care, although of course competition in the health care area is a very complex and disputed area, and we are not suggesting that competition is possible in every case. Regulations would have to be put in place to ensure minimum standards of quality of care, given the assured income stream in the form of bulk-billed payments. Additional incentives can be built into the funding structure for the establishment of such group practices in country and regional areas, which are poorly serviced at the moment. In addition, the quid pro quo that would possibly bite most strongly with the medical profession at the moment would be one which met the costs of indemnity insurance at a higher level than is done at the moment by the state. The suggestion here is that now that the quid pro quo for bulk-billing which we had in the seventies has disappeared—in the early 2000s—we could find some other quid pro quo, and the one that is most likely to be of interest to the profession is the funding of indemnity.

I want to say something about the movement of funding to private health insurance cover and the movement of government funds from the provision of care to the funding of insurance and from the provision of universal insurance and the provision of universal care to the funding of private insurance. If private insurance was funded at a lower level or not funded at all by the state, there would be funds available to pay for a great deal more of the sort of universal public health provision which the poor are most in need of.

I also want to say a few words about dental care in Australia, which is an absolutely extraordinary and worldwide scandal. If you are poor, your teeth can rot. Rotted teeth are bad for health. They rot because it is impossible to get an appointment with a publicly funded dentist within the period of time when the condition can be repaired. Even emergency cases are often in a situation where they have to put up with pain and bleeding if they cannot find a pro bono private dentist. Private health insurance provides some cover for dental health, and the public funding of private health insurance is one of the areas where people who are better off within the health care system have profited most because they have been able to afford the insurance for what is thought to be uninsurable in the public system—namely, dental health.

CHAIR—Thank you. Does anybody want to contribute in this area?

Ms Smith—I would like to reinforce the point about dental health. The committee might want to look at an article in the Age from Saturday, 26 April, which looked at some of the waiting lists in Victoria and at access to dental services in particular. VCOSS’s own research has indicated that, certainly for some community health services that reputedly offer dental health services, waiting lists can be three years or longer in parts of regional Victoria—and also in parts of urban Victoria. This is partly due to a lack of resources and partly due to a lack of skilled professionals in regional areas.

Mr Dufty—to put the cost impact of both of those on households into some sort of context, according to the standard data sets from the CPI, which I received yesterday, the broad medical cost component of the CPI has risen 163 per cent above the inflation rate since 1990 and dental costs within that bracket have risen 105 per cent above the inflation rate since 1990. From last year’s budget estimates, the state says that there is an average wait time of 22 months for restorative dental services and a wait time of 24 months for dentures. Those wait times have increased over the last three years.
Senator FORSHAW—With regard to your proposition about group practices, whilst I do not
know what the figures are, I would have thought there would be proportionally far fewer group
practices in country regional areas, particularly small country towns, than in the cities. There is
also, with a number of those other services that you mentioned—nutritionists, podiatrists—a
difficulty in terms of their availability. I am having some difficulty seeing how the proposal
would really work in country areas. One big problem there is the shortage of doctors and another
is the drift away because of a whole range of other economic and social issues. That suggests
that the problem gets worse rather than better. So, if the group practices are unlikely to exist,
I can give you an example of one of the complaints that I hear. On the north coast of New South
Wales, in a town called Iluka, there is one doctor. He used to bulk-bill. The practice was taken
over and the new doctor does not bulk-bill. A high proportion of people are retirees on pensions.
They have to travel 30 or 50 kilometres or more to one of the major cities such as Lismore or
Ballina to try and get a bulk-billing doctor. In this case, the doctor will not even bulk-bill health
card holders, and he is the only doctor in the town. So I am at a loss to see how we are going to
turn it around and get group practices in these places.

Ms Lowy—The idea is to structure the incentives. There are two podiatrists in Shepparton for
the whole region, and the idea is to structure the incentives in such a way that not only more
doctors but also more ancillary medical personnel will be attracted to the regions.

Senator HUMPHRIES—I am a little bit surprised, I must confess, to hear some of the
criticisms that you have made about the plans announced for reforms to Medicare. I know the
criticism has been levelled at the incentive payment arrangement that it leaves out middle
Australia, but I would have thought that with an inquiry like this, which is talking about the
needs of those who are most poor, there would be some level of support for a deliberate decision
to direct —by subsidising expressly and in a very targeted way those who are eligible for
concessions and who fall within the category therefore of the sorts of people we are talking
about in this inquiry—incentive payments to doctors into the areas where bulk-billing, as we
have just heard, has been most at risk because of the unavailability of doctors willing to bulk-
bill. Isn’t that the best use of those dollars in those circumstances? Assuming we do not have the
dollars to subsidise everybody’s access to bulk-billing and we have to limit it in some way, isn’t
it best to target it towards those on the lowest incomes?

Ms Lowy—I have at least two things to say in response to that. The first is to say that the
tenor of the discussion throughout the day has been that we are not talking about social security
recipients but about people who are in and out of the work force and about families who, despite
one of their members possibly being properly in the wage work force, are finding it very difficult
to meet their needs in education and also in health. So we are not just talking about health care
card holders and pensioners. That is one point.

The second point is that, if we lose sight of the idea of universal health services—the original
idea of Medicare: the provision of health services on a universal insurance model—and we work
on targeting as the current model suggests, it is always possible to chip away even further at
those who are the proper recipients of the limited part of the cake. It is possible to say: yes, you
can bulk-bill only those who have not had any paid work for two years. The two-year rule has
been used elsewhere.
Senator HUMPHRIES—So you would argue for the icing to be spread across the whole cake, not targeted to those who are most in need, even though the icing obviously will not cover the whole cake?

Ms Lowy—The other point is that there is tonnes of icing in the subsidy of private health insurers.

Senator HUMPHRIES—You describe the health insurance rebate as a shift of money from provision of care into private health funds.

Ms Lowy—Yes.

Senator HUMPHRIES—Surely though you would concede, firstly, that what money goes into private health funds is supplemented by the placing of resources from wealthier Australians into health provision as well and, secondly, that the vast majority of money that goes into private health funds ends up funding health care. Therefore, it is not true to say this money is taken from funding of care and put into health funds; isn’t it in fact money into health care at both levels?

Ms Lowy—It is the funding of health for some people and, if we are talking about subsidising the well off, that is a very good example of a subsidy to the well off.

Senator HUMPHRIES—You say that in those holistic practices that you spoke about, with podiatrists, nurses and so on in the practices with doctors, it would be essential—in the model that you were talking about—for all the members of the practice to bulk-bill and for all of the patients at that practice to be subject to bulk-billing. Why do you say that?

Ms Lowy—that would be the basis for an increased payment to the health professionals in that practice.

Senator HUMPHRIES—But why? Why couldn’t they not bulk-bill richer patients of theirs?

Ms Lowy—I think we are going around in circles, and I leave it to the chair to cut me off if he wishes.

CHAIR—Dr Ziguras wants to jump in here. You can, if you feel like it.

Dr Ziguras—I just want to add a couple of other points in response to Senator Humphries’ question. I think a concern for us about the targeting of bulk-billing and the sort of drift towards a more privatised system is, firstly, that that is a much less effective and efficient way of distributing government funds. If we are heading down a path towards the American system, where we will increasingly rely on private insurance, that is demonstrated to be much more expensive overall than a universal system such as the one we have had. I guess that is a general point.

The other point about targeting is that we have been targeting a whole bunch of policies and programs at health care card holders over the last 15 years or so. The more we continue to do that, the harder it then is for people to move from being on benefits to the next stage up, because they lose so many of their entitlements as they change income slightly and cease to qualify for
health care cards. That is counterproductive because it is building in traps which keep people in poverty. It does not allow people to move out.

Mr Caddy—I agree with that, and that was a point I wanted to mention. There are elements of health care that might be icing on the cake, but there are other elements of health care that are basic and are not icing at all—they are absolutely essential. I think it is a matter of human rights that people have access to at least that basic level of health care. I would include visiting a GP as one of those basic elements of health care. Regarding targeting, there is very little targeting in the private health rebate, which seems to cover all sorts of ancillaries and so on. There are various levels of private health care that are really quite luxurious and are really only available to those who are quite well off, whereas even a private health rebate to a basic level of hospital care would be another matter again and even more targeted.

Senator HUMPHRIES—Is there some benefit in encouraging people, particularly wealthier people, to invest in their own health care at the same time as investing more public money—at least, Commonwealth public money—in health care, particularly in hospital health care, which has been the experience of the last five years?

Major Berris—I might be changing the conversation slightly, but my concern with this concept of targeting is that, every time the government want to save a bit of money or prevent another blow-out—whatever excuse they have—the target gets smaller and smaller. This has happened in housing, and this happens right the way across. It does not matter where you look, as soon as you introduce the concept of targeting, you can be absolutely sure that in the next budget, the budget after and the budget after that the target will be redefined for the same good reason: we have to put the money where it is really needed. But, in putting it where it is really needed, it is a lot less than it was last year, it is less than the year before, and next year it will be less again. The concept of targeting really worries me because of that constant redefining of what the target is. It gets smaller and smaller, and more and more people get hurt.

Senator LEES—We could have a debate among those of us up here about private health insurance, but the fact was that something like 76 per cent of those on high incomes already had private health insurance. For them, the rebate was just money in their pockets. As for the issue of targeting, I note that the AMA are already asking that the number of people on health care cards be reduced, and they have listed some of those people who they think should come off. I think the alarm bells are well and truly ringing as to where we are probably heading.

Senator FORSHAW—We should not be debating it but, going back to the question of Senator Humphries, if you look at the statistics on the level of bulk-billing, you find that—and it has been the case for a number of years—the electorates that have the lowest income levels, such as Page and Cowper in New South Wales, have 54 per cent bulk-billing. The electorates where they have the higher levels of income—

Senator McLUCAS—Like Bennelong.

Senator FORSHAW—are the ones that have the highest levels of bulk-billing.

Senator LEES—Because that is where the doctors are.
Senator FORSHAW—That is right.

Senator LEES—You have to get the doctors out to the other areas.

CHAIR—We will stop this session and move onto groups at major risk of poverty. As I suggested, a number of areas have been identified there and a number of groups have been requested to make a presentation on it. We will start with VCOSS.

Ms Smith—I will not give much background on VCOSS. As well as being concerned with broad issues of income security and disadvantage, we have a specific interest in particular groups that experience disadvantage in one way or another. I will quickly highlight a couple of the areas in our submission regarding women and sole parents. Women continue to be overrepresented among Australians living in poverty, with female sole parents continuing to be significantly at risk of experiencing poverty, with just over one in five—22 per cent—of female sole parent families living in income poverty. It is an important group within the community as a whole.

The key causes of poverty among sole parents, particularly female sole parents, are the continuing inequality of wage levels, with women’s wages still being generally lower than those of males; the nature of the work which women are more inclined than males to do, which is more likely to be part-time or casual work and is more likely to be part time, casualised or precarious in nature; that sole parents’ income security payments are insufficient for the needs of many families—indeed, some VCOSS work done last year indicated that the lack of family support payments or the insufficiency of those payments was a key cause of presentations for emergency and material aid, among other reasons; the high costs of child care; and the issues—or, as we have described it, the perfidies—around Australia’s child support system, which I will not go into in great detail now due to time, but that certainly has an impact on sole parents, and female sole parents in particular. The inability to maintain a decent income obviously has an impact on the children. One area that we believe is in need of reform is the minimum income in terms of sole parent payments. We also need to look at how paid employment and access to paid employment can be improved—that is, both pay and job security. The other key area for reform is with regard to the costs of child care and making child care more accessible.

To be more specific about some of that, VCOSS ran the Women and Poverty Forum in the last couple of years and did some research in regional and rural Victoria, which my colleague Carolyn referred to earlier, where we talked to women experiencing poverty. The women participating in our research shared with us many experiences, which many people here today would have been talking about: the inadequacy of current payments and that fact that a number of women cannot afford to get paid employment because of the high costs of maintaining employment. It is not just the issues already referred to in terms of the poverty trap and work force disincentive around income safety nets, but also things such as child-care costs, access to child care and access to transport. Access to transport is particularly a major issue for women living in regional Victoria. Other associated costs for women were reported, such as user pays and the issues that came up a few moments ago about the costs of getting access to health. So there are additional costs in order to access community health services, co-payments in other health areas and voluntary fees levies, and there is the inadequacy of the educational maintenance allowance for families to access education. There were issues with public transport in terms of the dependence of health care card holders. They cannot necessarily access the kind...
of transport concessions which the actual card holder can access. There are questions about the concessions policy for utilities. If people cannot pay their power bills, it is one more cost factor that is laid onto a sole parent family. And there is the point I have raised before about quality and affordable child care.

Even where those services exist, many women cannot afford to use them. Very often those services do not exist. Certainly, in the surveys from some of our member agencies—community health centres and other rural and regional services—very often a whole range of services do not exist. In particular, low-income families and sole parent families cannot afford to run a car. The lack of access to transport—the lack of public transport connectivity, frequency, affordability—is a major issue that links to poverty.

Other issues that have come up in our research relate to the lack of inclusion of particular services for certain groups of women, in particular Indigenous women and women from culturally and linguistically diverse backgrounds in terms of access to translator services and the full range of access and cultural competence issues which exist in underresourced services.

In talking and working with low-income women, there continues to be discrimination and racism in terms of access to employment, housing and other services. Specific groups of women, such as refugee migrant asylum seeker women, have responsibilities for their children, yet they experience discrimination and extreme problems in getting access to the full range of services that are needed.

Two other linked areas of particular overrepresentation of women would be lack of access to affordable housing and—this is a point that I made before—and availability of public transport, an issue which has probably not been raised in great detail yet today. VCOSS believes that this is quite an important issue, as lack of access to affordable transport is an indirect infringement of people’s basic rights because people cannot access education, health and other basic rights that exist in our community. If people cannot afford to get there or if a service does not exist, that is, in effect, a serious issue. If people do not have a car and cannot afford public transport costs—and there are disproportionate increases in public transport costs, which Gavin referred to earlier today—it has an impact on poverty and, in particular, on women and women with children.

**CHAIR**—Thank you. We will move to the Centre for Public Policy.

**Prof. Howe**—Very briefly, there is a philosophical issue here. We have been dealing with sole parents now for a quarter of a century, I suppose, since the supporting parent benefit was introduced. It is really a question of where we place this issue in a policy context. What we are tending to do is to come down on sole parents as part of a kind of increasingly workfare feeling, that work has to be the solution, and we have to press down more that way.

I think the underlying issue is brought out by the American changes, which really reflect a sense in which no value is placed on caring. The requirement for the sole parent to work at the stage when the child is still a baby effectively says that that caring role is not terribly important. I think that has terrible long-term consequences. It is a more important issue for women because, in a sense, as Michael Bittman and others show, men are really not taking any more responsibility now than they did at a time when women had much lower rates of participation in the work force.
The philosophical or policy issue is how to re-recognise the importance of paid work as opposed to unpaid caring. If we are going to continue along the track where there is no recognition of that we will finish up having to pay more and more for caring. That caring is going to be commodified in ways that probably do not work in terms of relationships. I think it is wrong to consider a lot of the issues for sole parents in isolation from the relationships between men and women, the changing nature of the labour market and the pressures on families. That is the main point I want to make.

If you are serious about it, you might ask, ‘What can we do about that?’ I suppose paid maternity leave represents a step in the right direction, but it does not represent a policy package; it does not really take that fundamental tension seriously and try to address it in a more comprehensive way. That is part of what I was trying to say at the beginning of today: that there are fundamental underlying issues that will finish up having huge long-term costs if not addressed now.

America is going to have to pay a huge bill for the fact that it has devalued caring. It can claim some success in pushing women into the work force, but it is at the cost of caring. The issue is about getting a balance. We see it very sharply in terms of sole parents because they take on the enormous task of bringing up a child, or children, alone—and that is for 24 hours a day, seven days a week. I think it is the undervaluing of caring which leads to a punitive approach to sole parents more than the rising costs. In some ways it is to do with our inability to reshape our attitudes to face a society in which men and women have genuine equality—as opposed to equality in some areas: a patronising kind of thing.

I would like to say, in a more comprehensive way, what you can do about it. Under a no-change policy women tend to do all the part-time work and men do the full-time work and have the careers. The Netherlands were smart enough to recognise that if you legislate for much greater equality—in the sense of an entitlement to part-time work—men will make that choice. They will choose to be the part-time workers rather than always saying, ‘Darling, your role is not as important as mine, so you’ll do the part-time job or the residual job; you won’t have some rights and entitlements, as a person.’ So there is a real kind of equality there. That flows through to sole parents. In a sense, if you have framework legislation that covers the role of men and women, it would make it a lot easier for women, who find that their marriages are unsustainable, to care for themselves.

I encourage this committee to be a little bit philosophical about sole parents, to think about what is going on underneath, and not be too specific in its approach. It would be better to try to understand what is happening in our society and to come up with an overall approach within which we can look at the sole parent issue as one of the subsets of the problems in relationships between men and women in a society which has changed very rapidly in the way we work and the way we form households.

According to the Melbourne 2030 strategy, 90 per cent of additional households will be one- or two-person households. Ninety per cent of all new households added to Melbourne, on average over the next 30 years, will be one- or two-person households. So we have to recognise that we are going to have more and more people bringing up children alone as part of that cohort, and we need to think sensibly about how we do that.
CHAIR—Thank you. Major Berris?

Major Berris—Changing the subject, I want to say that I think that poverty is a symptom; it is not the problem. Disadvantage among young people is a symptom; it is not the problem. Suicide and life-threatening behaviour among young people are indicators of something much deeper. They are themselves not the problem. There is a story of a drunk in the village who did not look after his family adequately. The neighbours often had to help out his wife and kids. One night coming home he was bashed and his only horse was stolen. When he heard of this, a neighbour with two horses gave him one. The son complained, ‘Why have you given this man so much when he deserves so little?’ The answer was, ‘One poor person in our village shames us all.’ Friends, one young person in poverty shames our country. One young person without a job shames our country. One young person without education, or adequate education, shames our country. One young person not given the opportunity to develop to the maximum of his or her potential shames us all.

In 1981 John Howard visited us at the Salvation Army’s social relief centre in Spring Street, Melbourne, as did other politicians from other parties. They wanted to know about poverty, disadvantage and financial difficulties in this country of ours. Yes, some good things have happened since then—good things that have ameliorated the sharp pain of poverty. But poverty still exists.

I have no doubt that you have read our 42-page submission to the inquiry. We are quite proud of it and thought it was pretty good. You have read Anglicare’s, the Brotherhood’s, the Catholic Social Services’ and everybody else’s submissions and, as you have read them and many other papers written since Professor Henderson tried to bring some logic and objectivity into the discussion, I think you should have all the information, all the statistics, all the social security and tax matters, all the stuff on breaching, immigration and unemployment—so much information but no shame.

At the end of this inquiry, travelling all over this great country, I wonder whether senators from all sides of politics will feel ashamed that the results of all the efforts that have been put in by governments have perpetuated a system which is allowing poverty to actually increase in this country. I wonder how many people could be employed in company X if the CEO and the board put a quarter of their financial packages into employing and training young people. Just imagine: if they kept only a quarter of those packages and put three-quarters into employing and training young people, they would still live extremely well—but so would those young people.

Last week we remembered the Anzac tradition and retold the stories of ordinary young people risking life and limb to protect this country. We were reminded of the pride that we can have in this nation because thousands of young people gave up their lives and showed the world that we Australians are a force for good. Yet that generation and ours and whatever we call the next one seem to be oblivious to the shame that we should feel for our unwillingness to share equitably the resources of this country—not only the financial resources, but the educational, the caring, the supporting, the mentoring and the personal development resources, where one adult makes it his or her business to take time with one young person outside their family and encourage them to become a caring, community-focused citizen.
Yes, to our shame, we can produce babies, but we cannot ensure that each one of them has every opportunity to contribute to the best of their potential within our community. Our young people are frustrated. They want to be treated with dignity. They want to experience justice. They want to see justice happening in their community. They steal or misbehave in a small way and get the book thrown at them, and yet our corporate leaders can destroy the lives of many by mismanagement and deliberate misappropriation and get a few years behind bars because their influential mates say, ‘Well, they’re okay people really.’ Our young people are desperate for hope and a reason to live. They want to experience and to contribute to their community in a caring and compassionate way. Young people are idealists. They expect their elders to model integrity. They expect their elders to model good behaviour. They will not put up with ‘do as I say, not as I do’.

If the guilt and shame we should all be experiencing was translated into dealing with the causes rather than playing with the symptoms, some of the things we might do is put up and support courses like How to Drug Proof your Children. What can I expect of my one-year-old, two-year old, three-year-old et cetera up to 12-year-old and how can I assist their physical, mental, social and spiritual developments?

We would provide technical studies. We would bring back the tech schools to provide hands-on skills for students, especially those who will not ever get to university. We would put up training for life courses dealing with how to handle divorce, redundancy, retraining, death and tragedy. We would talk to and encourage our young people to think about how to become a good citizen—integrity, honesty, justice—how the system can be encouraged to work for the good of all; how you maintain superior values when peer pressure opposes them; how you agree to disagree without putting yourself or others down; how you affirm the opposition; and how you help someone else’s kid to do well in life. We would pay decent wages to and we would affirm the valuable contribution made by kindergarten and primary school teachers and encourage our best male teachers to enter into those parts of the profession.

Let me reiterate. If at the end of this financially expensive, time-consuming, tree-threatening process the Senate and our politicians are not heartily ashamed that poverty not only exists but is getting worse, then more events like this will happen and we will all keep our jobs and we will maintain a constant flow of disadvantaged young people who will stay disadvantaged and in poverty and, in their despair, they will take on the next life-threatening and anticommunity behaviour that is being offered. Jesus of Nazareth said, ‘The poor you will have with you always.’ To our shame, he is right.

CHAIR—Thank you. Anglicare?

Dr Kertesz—I will keep it fairly brief. A number of the issues I wanted to raise have actually been touched on already today. Rural and regional Australia shares the restructuring of the labour market that we have talked about already. Perhaps what is different between rural Australia and the metropolitan area is the added vulnerability in rural Australia to cyclical environmental disasters, as Australia has seen very graphically this year.

In many rural areas, there are limited local industries. Anglicare has been working in Gippsland since the SEC restructured and the unemployment rate in the Latrobe Valley has risen sharply; it is currently over 12 per cent, which is twice the national rate. It is difficult to attract
investment beyond a certain circle around metropolitan areas. Profits from industries are often not invested in local communities. There are often no employment alternatives when industries close down in rural areas.

Distance and isolation is another key issue for rural Australia. We have touched on public transport and the additional costs of transport in terms of distance. There is the very practical issue of timetabling of public transport in regional areas. The greater regionalisation of services means that people have to travel a lot further. If they come by public transport, they have to bear the costs and may have to stay overnight because the timetabling is set for commuter traffic to Melbourne, which just becomes impossible for many people.

Another issue I wanted to raise was the decline of small rural communities. We have talked about increasing centralisation of services, the closing of post offices, banks, hospitals and court houses in a lot of smaller communities; the loss of other businesses as the people employed in those services leave; the drop in school numbers and then school closures; and the general breaking down of social infrastructure in many small communities. Young people and families leave to get education or broader educational options and do not return. Not only is the social infrastructure disappearing; the people left in the small communities are the most isolated and vulnerable—the people who do not actually have the choice to leave.

With regard to access to services, part of that it is about the increasing centralisation. The services just do not exist in many areas. We have mentioned the problem with doctors, but it covers a range of services. One of the real struggles for Anglicare in Gippsland is to provide a service across a very large area for a number of very small communities and to manage the costs involved in trying to become part of those communities. There is no substitute for local knowledge and local networking. In order to help some of these small communities, you need a way in. Some communities have been totally devastated by the recent bushfires in East Gippsland and agencies like Anglicare struggle to find ways to help those people; the social infrastructure is no longer there to facilitate that.

CHAIR—Thank you. Melbourne Citymission.

Ms Lewis—There is a critical need to plan for the future. The ageing population, as we see it, is only in crisis if we fail to plan a flexible system that will work in the long term. Older people in poverty are people who have often been in poverty through other life stages, sometimes from an early age and sometimes as a result of events later in life—unemployment in middle age, divorce, family breakdown, the death of a partner or a disability. People without housing, those in public housing and those who do not own their own home are extremely vulnerable as they become frail and ill and require accommodation within the aged care sector. Public housing and private rental are not always suitable and/or able to be adapted for frail older people, so staying in the community is not always an option. There will always be people who need residential care, particularly those with challenging behaviours, psychiatric disabilities or dementia, which as we know with our ageing population will be the major cause of death in the long term for pretty much all of us. Although some older people have significant wealth and many own their own home, the distribution of wealth in this older group is very uneven. While some older people are able to self finance their care, many are not. There is a real danger in planning a market driven system that will only develop quality services for people who can purchase such services.
People who enter the aged care system currently are getting older. They come for a short stay and our system is running with a 98 per cent occupancy rate, which is better than any hotel or even the acute health system at the moment. Aged care persons enter at high levels of acuity and have multiple morbidities like diabetes, cardiovascular disease and cancer. On top of that, they often have challenging behaviours, suffer depression, have levels of dementia and are some way through the dying process. The current system will only provide a personal care worker who has six weeks training to care for these people. They get paid $12 an hour and provide the hands-on delivery to these people with high-care needs. A registered nurse will oversee the care of up to 60 residents at any given time and complete copious documentation to meet the imposing accreditation system that we now have in place, but will earn 20 per cent less than their counterparts in the acute health system.

At present, Commonwealth funding is clearly inadequate in this sector. Critical issues that follow from here are: the inability of the government to address wage parity issues, with enormous consequences for standards of care, maintenance of staff and maintenance of a staff skill base; and the fact that the Commonwealth subsidy for people without the means to pay bonds does not reflect the full capital requirements to ensure the provision of places over the long term—that is, for building, maintaining and updating facilities. The current obsolescence rate of an aged care facility is five years. The whole process of beginning to acquire land and putting in grant applications for council approval takes approximately five years. So you start building, you finish building, and then you have to start again. The government clearly needs to address these issues if we want to build a quality aged care system that is sustainable in the long term.

**CHAIR**—Thank you. In this particular segment, I invite anybody who would like to make a contribution or feels that we have not mentioned anything to speak. In particular, two groups were touched on: Indigenous Australians and people with disabilities, mental illness and drug or alcohol problems. I will leave it to you, or my colleagues might ask particular questions.

**Mr Caddy**—I have not prepared anything on Indigenous people, but it is a pity that that was not set up. Across any of these areas of disadvantage or deprivation that we are talking about, we know that Indigenous people are three or four more times at risk than the population generally. I am sure that you will hear that as you go around the country, and it is probably a pity that it did not come in this Melbourne meeting of these groups. Other people might have something to offer on that. I really feel we must get something on that.

**CHAIR**—We fully intend to. We will not just be sitting in expensive hotels in Melbourne taking submissions from you.

**Mr Caddy**—It is a very nice place to be though! Mental illness is just one area I would like to address, because it is an area that is very underresourced and there is so much undiagnosed mental illness in our society. It is so difficult to get even acute services to people who are in acute need. This comes up daily in our welfare organisations where they can ring the specialised teams, and they are just so overstressed. The specialised teams will not even come out. They will say, ‘Oh, how much blood is there?’ or ‘Has he got a knife?’ They will ask those sorts of questions, even though there are professional people ringing them up and saying, ‘This is a desperate and acute situation.’ Those services cannot even get there.
Over the last 15 to 20 years we have done a very good job—an admirable job, I think—in deinstitutionalising mental illness and allowing people to live in the community. But unfortunately the supports required have not followed or been sustained in the community, and already we are beginning to see a reinstitutionalisation of people with mental illness—not into institutions that have even a vaguely therapeutic aim; we are finding them reinstitutionalised into homeless agencies and prisons. I think that is just one issue that needs to be addressed.

Ms Lewis—And aged care too.

Mr Caddy—And aged care, yes.

Mr Martin—Having mentioned it before, I would just like to include in the record the area of the rustbelt people in the outer regions of some of our cities and those kinds of places. In doing that, I would also like to make a comment about the specificity and particularity of some of the issues that come. It seems to me—and, again, Pat Thomson refers to this in her book—that, on one hand, you can say that it is all the same problem and, on the other hand, you can look at a whole series of very individual problems and the ways that they happen. I think, in terms of the way we think about it, we have to get the balance right between that generality and that specificity of the way that we deal with the problems. We have to see that in many ways they are interlinked and they are compounded but also that the services that are delivered need to take account of very particular circumstances in particular areas.

CHAIR—Are there any questions from my colleagues here?

Senator HUMPHRIES—I will ask about the theme going through many of those groups of the risk of family breakdown. Obviously, very often women in poverty are women who have been in relationships which have broken down and they have dependent children whom they care for. The social practice of caring for older members of families has very largely disappeared or at least is very much less prevalent than it was 50 or 100 years ago. Is there anything that any of the people here would recommend that we do about reinforcing or rebuilding the notion of family units as a way of being able to guard against poverty?

Major Berris—One of the most significant things that we do in society is to come together as couples and have kids and all that sort of stuff, and it is one of the least thought about areas where we provide training for our kids and where we provide mentoring, support and help for our young people coming together to help them to get through.

One of the things that we have tried to do down on the peninsula is to develop a mentoring system where older volunteer members of the community have done a bit of training and are now mentoring younger people who have already come to our attention—and therefore already desperately need somebody to care about them. We are finding some great value coming out of that process. I do not know how you would develop that sort of change within a community, but it seems to me that a community that takes the opportunity to develop this mentoring approach is going to help people survive, cope, learn what is realistic, have someone to talk to for advice, and all that sort of stuff so that they can feel that they are not on their own anymore. One of the biggest things that I have found over and over again in the work that I have been doing the last 20-plus years is the isolation. When people feel isolated, they do things they would not do otherwise, and if we are serious about this, then we have got to provide ways to help and
encourage mentoring. The trouble is that it does not happen by saying it. You have got to put a lot of work into it. That is a lot of work in a lot of communities, and it is not cheap—but it is probably less expensive than what we are doing at the moment.

Mr Dufty—I think that we need to have a more modern—for want of a better word—definition of what is family and what is support. There are a number of government policies that actually demean, undermine or discredit particular types of relationships or groupings. You have got income security payments that do not actually recognise the cost of caring—carers payments are pretty inadequate, to put it bluntly. You have got people playing wedge politics with particular groups and saying, ‘That grouping is illegitimate, dysfunctional or not a proper arrangement,’ and then the rewards go to particular types of arrangements. As Brian mentioned before, that is not the reality of where the community is going. So there needs to be a broader definition of family and relationships. For example, my next-door neighbour is 76 years old and has a mental health issue. I had to take her off to hospital at 2 o’clock in the morning. She does not have family nearby, and she did not even have the phone on; but being next-door neighbours we helped, because that is what we do. But there should be affirmations from leaders that say, ‘That is the normal, healthy thing to do and we recognise that as a good function.’

Ms Smith—VCOSS has been doing some work around social sustainability, and we would see part of a definition of social sustainability as the ability of a household—I would not call it family—within a community to be resilient to the range of pressures upon it. I think that speaks to what my colleague was just saying in terms of the range of pressures on families and households with changes in the labour market and changes around what continues to happen around income support. My recommendation is to try to define and assess the social sustainability of particular policy settings in order of how a particular policy will actually support and reinforce households within a community to be able to be resilient to changing pressures—whether we are assessing Melbourne 2030, something around Australians Working Together, or the current tax inquiry, for instance, which is happening at the same time.

Prof. Howe—I think that you could think about it physically. About 85 per cent of our housing stock—maybe 80 per cent now—is in the form of bungalow housing; so a high proportion of people live in individual households—households of one, two or three people, but very small. The average size of housing is going up at a time when the average size of households is going down. There is something wrong there.

In a way it is to do with our own image of ourselves. I think that what Gavin says is absolutely right—we have an image of ourselves the way we used to be. We do not have an image of ourselves the way we are now or the way we are going to be. I think other countries have thought about that, and they have tried to respond to it. Kim Dovey, an architect at Melbourne University, has talked about the approach in Scandinavia. Harry Seidler, another architect, has said that we have all these barracks right through Western Sydney. We are building all these units without any spaces that are social spaces, whereas in Austria, Scandinavia and other countries in Europe they actually think about that. An apartment block can have a range of people—young people, older people and so on—and spaces for people to mix and interact.

I think lots of people now want to relate and socialise, but the question is how you do that. I think our housing reflects the fact that we are living in self-contained households, and it is extremely difficult to change. Forty years ago merchant builders tried to build ‘Wintertown’ or
‘Winterset’, I think the name was. They were a couple of estates—one was in Rosanna—where they tried to get rid of fences. There was an enormous reaction against that, and they did not build any more estates. In a way, we are going to have to change the physical structure of buildings. That requires getting architects, builders and planners to talk about what it means to live in a community that is made up of all sorts of different configurations and how we create opportunities for people to connect. As Colin was saying, I think people want to do that. The question is how to do it—how to take that step. In a way, we are making it quite hard.

I agree that it is a matter of changing the mindset. It is a matter of starting to think of ourselves as a more complex society. That is part of this discussion of poverty. I remember when the first big study was done on homeless people. The end result of that study was that the single most important characteristic of homelessness was the inability of those people to relate to other people. It was the single most important fact. We are not talking about just going back to the old model of families and households. It has to be a new model that gathers up what is happening now and helps to shape sociality.

CHAIR—We are gradually moving into the next session, so I will invite VCOSS, the Catholic Social Services and the Brotherhood of St Laurence to make their contribution, and then ask for people to comment.

Ms Smith—VCOSS, in our submission, talked about future directions to quite some extent. I will make a couple of dot points about where we see future directions. One is in terms of the need for an integrated strategy to combat or eradicate poverty in Australia. We see that that needs to bring together not only work that is traditionally seen as relating to poverty, such as welfare and income security issues, but also some of the issues that have been talked about here today. They include how policy on housing and education impacts on poverty, and how we can help eradicate poverty through access to health services. It is not just about basic income security; it is about trying to build an integrated strategy that—in a joined up government way—cuts across the many different policies and departments. We would need to work at all levels of government, not just federal government level. There are overseas models which are being applied in terms of trying to raise the profile of and increase the attention given to some of the issues that we have been talking about.

In our submission we talk in some detail about the Combat Poverty Agency, which was set up in Ireland as a result of the World Summit on Social Development. That was established to provide advice, conduct research, raise awareness, build broader consensus—one of the issues raised today—and support innovation, community development and antipoverty projects. We do see that there is need for systemic change. Today people have been talking about examples that can be used to take some of that forward. The need for a long-term view has been raised today. In particular, in terms of some of the policy that exists today, there is not always a joined up approach. We notice that a tax inquiry is going on at a very similar time to this very important inquiry. From VCOSS’s perspective we warmly request that this committee consider some of the findings and some of the discussions within the tax inquiry that are going on at the moment, and vice versa. Certainly we have put in a submission to the tax inquiry. We really do see that as part of your thinking you cannot deal with poverty unless you deal with how wealth is redistributed, so I warmly encourage the committee to consider the considerations of that inquiry before finalising what you believe and say.
I have one final point. In terms of assessing and looking at policies in this country around how this policy will help eradicate poverty, at times, by way of discussion and analysis, we see that it might benefit middle Australia, but how is it going to benefit the whole, in terms of eradicating poverty from our society altogether? For instance, you might look at the first home owners grant. Yes, that might well benefit a group of Australians—arguably, yes or no—but it is almost certain that it is not going to benefit those who are most experiencing poverty and disadvantage now. It is a policy tool which is not necessarily going to help eradicate poverty. So my recommendation and request is to consider new policy tools in the light of eradicating poverty.

Ms Tuohy—A lot of what we would say concurs with what Cath has said. I do not want to duplicate, but I will just emphasise again that we agree wholeheartedly that we need to have an overarching national strategy which is whole of government. It is very important that the federal-state jurisdiction somehow works together because, time and again, we get caught in: ‘It’s a state responsibility’ or ‘It’s a federal responsibility.’ We need to have a very smooth, overarching approach so that we do not find things are falling down cracks because of the issue of which jurisdiction is responsible.

We are all here today saying the same thing about the need for some kind of overarching national strategy, but we also know the reality is that we need the political will to make this happen and to tackle poverty. We are all concerned to do it, but until there is the political will to make it a priority it is not going to happen. The plea today is that we cannot leave it any longer. A lot of the discussions that have come up today are about the value of prevention. I would like to make the very simple observation that we know, as a rule of thumb, that for every dollar that is spent on prevention it usually prevents $5 being spent in fixing up the problem later on. Simplistic as it sounds, it is very important to keep that in mind as well. We also feel, in terms of kicking off the process, that having some kind of poverty summit, where we bring all the people together, could be useful. When Brian was speaking I was thinking, ‘Let us not forget the urban planners and the architects.’ We think about business and our sector, but we really need to bring everybody together. That could be a very good symbolic gesture that, yes, we really are serious about tackling poverty; let us have this very high profile poverty summit. That is one suggestion of kicking off a strategy.

We have heard a lot today about the progressive countries, such as the Netherlands and the Nordic countries, the social inclusion, and antipoverty strategies in Ireland and the UK. We all know a little about it but not enough. Again, I think it would be a wonderful gesture if some funding could be put into bringing delegations over—just more time and effort being put into people understanding what works in those countries and the relevance that some of those approaches could have in Australia.

We have pushed very much the issue of educating the general community. If they do not know—through ignorance or choice—the extent of poverty, we need to make sure that our government is taking the lead and educating people about it. We feel that it would be useful if the federal and state governments supported the development of some kind of educational material about poverty and that became part of core curriculum in schools. That is another way for people, particularly younger people, to understand and recognise that it is being treated as a priority. I think those are the main things.
Dr Ziguras—We would support everything that other people have said, and I would like to add only two general points. One is to pick up the point that Brian Howe made before about seeing this in terms of life course and generations. I think there is a fundamental argument about the difficulties that people who are currently in their 20s and 30s are going through because of all the things that we have talked about. The cost of that will accrue in years to come. It is really important to think about how to invest to prevent that future cost in social and economic terms, if you like. The other point I would like to make is that my sense is that this is not just us from the community sector feeling these issues; these issues are being felt across the board. There is much more public concern about things like risk in the workplace, housing costs and so on and there is much greater and growing public support for governments to act. I think the committee should feel courageous in thinking about the role of government much more holistically and as being much more interventionist than it has been in the last 10 or 20 years.

CHAIR—Would anybody else like to comment on future directions or give us some ideas about what we might come up with in our recommendations? St Vincent de Paul in their submission talk about a wealth tax or some sort of benefit for developers who put in low-cost housing. This is your opportunity.

Mr Dufty—For us, the critical thing is getting a poverty forum established to set a national strategic plan for this. Let us get everybody around the table, let us talk about it, let us identify it, let us get a broad range of indicators and let us work to address the issue. I think that is the key point that you will hear from St Vincent de Paul as you travel around. I do not want to bring up the other points here, because those are fiddly bits and you might say: ‘We know what St Vincent wants, but we do not really want those. We want the big game; we want the big picture.’

Prof. Howe—I think the introduction of compulsory superannuation was a very big change. Some kind of working on savings across the life cycle would be useful. This question of distribution of wealth is very important—whether it is related to a wealth tax or financed another way. In the postwar period the whole concept of saving had a different connotation, largely related to individual houses, whereas now we are thinking in terms of investment in education, housing, superannuation and so on. We are thinking of a kind of a savings task in a much broader way. Of course, that can be highly inequitable. That can reinforce existing inequities. Those who are able to contribute most to superannuation will get most of it out at the end, and that is the problem with the Australian approach to social security.

A tax based system, in a sense, was very equitable. You paid for it out of a progressive income tax and you paid it out on a means-tested basis to those who had the greatest need. We are now moving to institute a kind of savings scheme that some people are very critical of. They say that the tax concessions go to those who are the wealthiest. In terms of contributions, what you get out at the end is proportional to your lifetime earnings, so people who have got steady and high earnings over a long period of time benefit. It seems to me that it is about how to make savings do several jobs. It cannot just be superannuation alone; people have to manage housing saving—and we know that that is already a problem with people aged 25 to 30. We need to at least get to the point of getting more work done around that kind of issue, because it is so important to the ultimate share. Fairer shares in this society are going to largely reflect what we do over the life course, and the savings issue is quite central to that.
Major Berris—How can we and the government encourage the private sector to provide? I alluded to this in my earlier contribution. For example—without wanting to mention names; but it helps to make the statement more clearly—the Coles Myers board could reduce the huge amount of money that they get for sitting on the board and put that into paying a heap more check-out chicks—whatever you call them these days—to be there so that you did not have to line up for hours. That would give those kids, whether male or female—it does not matter—jobs and opportunity. It would give them a better feel about themselves. We need to start this whole process so that young people can begin to know what it is like to have a job. Those who want to keep a job will start to develop this stuff. Some of the moneys that we as a community allow to be paid to people to run so-called businesses—they do not run them that well, and we have seen heaps of that, and they do not pay back all the money that they should never have received for the pathetic job they have done—should go to paying for kids to serve in Coles or Woolworths or wherever, I do not care. Those business people could be paid $100,000 less in their wage. I have made my point. In what way can we help that to happen? We used to think that the progressive tax system would help that, but we are not that progressive these days.

CHAIR—We thank you very much for spending today with us. It has been very enlightening. We have certainly not taken your comments capriciously; they have been taken on board.

Proceedings suspended from 3.28 p.m. to 3.46 p.m.
BURROW, Ms Sharan Lesley, President, Australian Council of Trade Unions

GAYNOR, Ms Marion, Research Officer, Australian Council of Trade Unions

WATSON, Mr Andrew John, Director Legal and Research, Australian Council of Trade Unions

BLANDTHORN, Mr Ian, National Assistant Secretary, Shop Distributive and Allied Employees Association

DUFFIN, Mr Linton Robert James, Federal Legal Officer, Transport Workers Union

CHAIR—Welcome. The committee prefers evidence to be heard in public, but evidence may also be taken in camera if such evidence is considered by you to be of a confidential nature. Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege and that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. The committee will approach this as a panel session. I now invite each group to make an opening statement. This will be followed by specific questions and some general questions from the committee, which you are all invited to respond to if you wish.

Ms Burrow—The ACTU team has a problem with time. I am wondering if it is okay with our colleagues here if we make a presentation and then be rude and leave you. Is that acceptable?

CHAIR—That is fine.

Ms Burrow—I am sorry. We have become a bit pushed for time this afternoon.

CHAIR—It is not your fault.

Ms Burrow—We will make a couple of brief statements. You have our submission in front of you. I have read a number of the other submissions before you and they cover largely the same data. To put it in context, if you think about the ABS data and the fact that 39.1 per cent of Australians over 16—or about 5.8 million people—earn under $300 a week, that will give you a picture of Australia that most people, I would argue, do not recognise. It is a sad thing to say, but we now share a constituency with the welfare groups who advocate alongside other community groups, including us, for those who are unemployed. Twenty per cent of Australia’s poor are working people and they depend on income from work as their dominant source of survival. Unfortunately, they now move in and out of the welfare system as well as the work force.

If you look at households and not individuals, you see that 28.6 per cent of Australian households—or about 4.6 million Australians; more than a quarter of all Australians—earn under $500 a week. If you disaggregate that you see that 21.1 per cent of all Australian households are actually living on less than $400 a week. That is about 3.4 million people. That is a massive number of the Australian population, by anybody’s tally, who struggle weekly, fortnightly and yearly to make ends meet. In our submission we go through a range of data from different sources that draw out what some of that means in real terms.
For the purpose of this inquiry, we absolutely endorse and support all of those advocates who are presenting cases to you on behalf of unemployed or disabled people or indeed those retirees who are struggling to make ends meet on pensions that do not make the grade. But we want to focus on some of the data around our constituency—that is, working Australians who are living in poverty—and those who are being pushed into poverty, because we think that is the real dividing line to have a look at and to see how we make sure that there is a more equal society. We do not want to get too hung up about what the poverty line is or who can or cannot survive on an amount of money. It depends on a whole range of complex factors, as you well know—and as other groups will have presented.

So, in addressing the committee, our focus will be on, as I said, issues related to working Australians. In the last decade or so, there have been fundamental changes in the Australian labour market. That has led to well documented, dramatic increases in the number of low-paid, casual and part-time jobs. Over the same period, there has been a significant increase in earnings for those already in receipt of higher levels of remuneration. The labour market has led to a dramatic increase in wages equality. The fact that there is increased earnings inequality is not disputed and it is changing the nature of our society. It is actually creating a divided society. Income inequality and wealth inequality, excluding superannuation, have also worsened in the last decade or so. If you look at the ABS data highlighted in our submission, you see that it indicates that there are significant numbers of working households suffering serious financial stress. The NATSEM research conducted for the Smith Family shows that there is evidence of significant numbers of households where wages and salary income predominates and that those households are living in poverty.

Some of the issues we want to highlight today include the fact that taxpayers’ money, the revenue base, no longer pays for universal access to health and education. While there is evidence that the financial stress of rent, food, transport and all of those associated needs is significant, what is very different at this point in our history is that, if you disaggregate the factors driving the CPI, for last year alone, you see health costs rising by 7.2 per cent—the biggest increase in the CPI—followed by education and transport costs rising by around 4.9 per cent. Those areas are what we used to see as the social wage. The fact that they are now the largest single factors driving the increase in the CPI says something about the very dramatic change in our society, and it is a very large factor in what is driving people into poverty.

As I understand other people have said, we now know that universal access to doctors—that is, Medicare and bulk-billing—has fallen since 1996 from 80 per cent to under 60 per cent. In some electorates it is virtually non-existent. We believe that the Howard government’s proposals—even if we could accept the demise of a universal health care system; and we cannot—will push more and more families into poverty. From our perspective, there is no question that the history is not being told accurately. The Medicare framework was a settlement, in 1983, as a core component of the social wage. It is a quaint, old-fashioned notion that no-one talks about much anymore, but it was the very fundamental base of a decent Australia. It was a settlement in Australian social terms, but also in economic terms, that the community as a whole paid for social wage issues like health and education—and it used to be public housing, for those in need—in order that the community could live with dignity.

We now see the Howard government’s proposals threatening working families, who will have to pay three times: once through the tax base, once through the Medicare levy and then at the
doctor’s door in a copayment or a gap payment—whatever you want to call it. It is simply a line in the sand for us, but in the context of this inquiry we would ask you to recognise that it will marginalise a significant number of Australians—not just those who are just over the health care card concession level but many working Australians—from access to health on a regular basis at doctors’ surgeries. If you look at the dental health system, I think you will see a parallel in the future.

I will not say much more. Suffice to say that we believe that it is absolutely critical that we recognise that sole-parent families face a higher risk of poverty than single persons, couples with children or couples without children. If you look at the NATSEM work incentives under the new tax system, the distribution of effective marginal tax rates in 2002 show that sole parents—the majority of whom are women—with earnings are more likely to face high effective marginal tax rates. It is a pretty shocking notion that, in 2003, the majority of low-paid Australians are women. The ACTU simply says that many, many workers now are in part-time casual jobs. They, along with full-time workers in more precarious occupations on low salaries, will face increasing periods out of the work force and increasing periods of unemployment.

We ask you to address, in the mix of recommendations you make, the fundamental social wage questions and put Australia back on the map as a society where everybody pays for universality in critical areas like health and education. We also ask you to look at questions around social wage contributions to housing and transport and at a more flexible approach where people can take up work for short periods of time without being at risk for long periods while they wait for the support of unemployment benefits. We urge you to read our submission and take note of this. I will ask Andrew to talk to you a little about the significance for us of the minimum wages case that we run every year and why it is critical for the Senate to recognise that this is a core component of trying to constrain, if not redress, poverty in Australia.

Mr Watson—Doreen Taylor was one of the witnesses in this year’s wage case. I have taken the liberty of distributing to members of the committee copies of all of the witness statements that we filed in this year’s wage case. I would commend those witness statements to members of the committee, but I want to focus on Doreen Taylor for the moment. She works 32½ hours per week for a gross weekly wage of $421.85. Her husband is unemployed and she has two children, one of whom lives at home and is partly dependent. He makes a small contribution to the family budget.

In her statement, which is No. 4 in the document, you will see that Doreen sets out a family budget which is tight and which has expenditure moderate and focussed on necessities. Life for Doreen Taylor and her family is a struggle. It means juggling finances to try to make ends meet, it means going without and it means going into debt. I want to read a little bit of Doreen’s statement. She says:

12. Generally we buy all our clothes from the Op Shop. Occasionally I will lay-by an item or buy something new with money saved from the Christmas club account for Christmas.

13. We cannot spend much on entertainment costs. Our usual entertainment is to hire a video from the video shop once a month. My main means of socialising is to phone friends.
14. Our family has never been on a family holiday. We have never been able to afford it. This was hard on the children as they were growing up.

She does not say so, but one imagines it was pretty hard on Doreen and her husband too.

15. We have never had any savings to speak of.

16. I have a credit card debt of $3,000.00. Once I repay my personal loan, I will borrow some money to pay off this credit card debt. I do this every 2-3 years. It has become a cycle.

17. I use the credit card to do a large food and grocery shop about once every 8 weeks. On those large shops I will spend about $300.00. Now I only have one son at home, we don’t need to do a large family shop every week. I just see how much money is left to be spent on food/groceries. It has become our last spending priority. If we don’t have enough money to buy fresh food, we just make do with what we have for the week. On average I would spend about $80.00 per week on food, but this varies.

18. All our spending has to be carefully planned. I cannot spontaneously spend money on anything I like because it takes ages to pay back, even if it is just $100.00. This would mean not being able to pay for gas or electricity.

19. We do not spend money on junk food or eating out (e.g. McDonalds) to avoid paying the GST. My car runs on gas, so that is cheaper than petrol.

20. It is always a problem if something in the house needs fixing. Eighteen months ago, our TV started turning off when it was on. This was really annoying. We couldn’t afford to have it fixed until recently. The repair cost $78.00.

Our submission contains a range of statistics about what has happened in the labour market in the last 10 years and a range of ABS data about the things that low-paid Australian workers go without, but Doreen Taylor gives you a real insight into what it means to have to live in Australian society with low wages. Doreen Taylor and her family struggle every week to make ends meet. This is not somebody who is in receipt of welfare. This is somebody who is in the paid work force and working nearly full time. In fact, Doreen Taylor’s gross weekly wage is only $10 less than the federal minimum wage for a full-time adult.

We have reached a point in our society where our wages system and the growth in low-paid, insecure forms of employment have made life a struggle for large numbers of workers. Doreen Taylor is part time in her employment. Many others are part time and, as we demonstrate in our submission at paragraphs 10, 11 and elsewhere, there has been a vast growth in casual and part-time employment in the Australian work force in the last decade. At paragraph 13, we demonstrate how we have hollowed out our labour market. We have created a large number of occupations of low skill, we have increasing numbers of jobs of very high skill and we have destroyed a lot of the jobs at more intermediate skill levels. At paragraph 18, we set out the data on earnings in jobs in the last decade and we quote Borland, Gregory and Sheehan. They say:

….the vast majority (87 per cent) of the additional employee jobs created during the 1990’s paid less than $500 per week, or $26,000 per year, in terms of 2000 earning levels. Over the decade, the increase in jobs paying less than $600 per week (1.15 million) was greater than the total increase in jobs (1.13 million). The facts are illustrative of the broader reality….that during the 1990’s, and in spite of good growth in employment, the Australian economy has failed to generate any real increase in good jobs, as measured by earnings.
At paragraph 29 and onwards, we deal with some of the ABS data about financial stress indicators, from the household expenditure survey. That data shows that the individual story of Doreen Taylor, and the individual stories that are contained in the witness statements, is not isolated. Large numbers of households where wages and salaries are the predominant sources of income are doing it very tough—they miss out on holidays, they cannot afford to pay bills, they cannot afford to heat their homes, they cannot afford to buy food for their families. This is a serious problem, and it is one that can only be properly addressed through a combination of a fair labour market and proper government assistance.

CHAIR—In paragraph 19, you say:

The Commonwealth, in its Wage Case submissions, acknowledges that there has been a substantial increase in earnings inequality (though it attempts to justify that increase in inequality as a good thing).

Can you expand on that for us, please?

Mr Watson—In essence, the Commonwealth argues that the increase in inequality creates an environment where there is an additional incentive for people to seek out higher paid jobs, because they see people at the top end earning squillions and thus feel motivated to go out and work even harder.

Senator FORSHAW—I might just raise a matter that I raised yesterday in the hearing when we had representatives from the LHMMU. I am sure you all recall—I certainly do, and I think it was in the late eighties—that there was a major campaign through the industrial commission to introduce the minimum rates payments into federal awards and then state awards. That resulted in some quite substantial increases in those awards, together with the social wage components, family allowance payments and other support mechanisms. I gather that what you are reporting today is that whatever benefits were gained then to assist workers and their families in low-paid jobs or on basic minimum award rates of pay have gone—the system has failed, we have gone back to some sort of era and lost all of the benefit that was gained through the process. Is that a fair comment? Would you like to expand on that?

Mr Watson—There has been an ongoing decline in the relative value of the federal minimum wage—particularly accelerating since 1996—over the course of the last decade or so, so that the minimum rates adjustment process which you talk about concluded some time around the early nineties, depending on which awards and classifications you were talking about. Since that time, there has been an ongoing decline. An indicator of that is that the federal minimum wage is now, for the first time, worth less than half of average earnings. It has dropped to 49.9 per cent of average earnings. Another indicator of it—this is perhaps a little for those aficionados of the industrial relations system—is that the current value of the trades rate, which is a benchmark rate in the metal industry award, has now declined to the point where it is below the value, in relative terms, of the federal minimum wage in the 1980s.

Ms Burrow—There are two other factors. If you go back to the data that Andrew pointed to in our submission, of all of the jobs created since the mid-nineties, 87 per cent are jobs that do not pay more than $26,000 a year, and about 47 per cent are under $18,000. That is what is driving the fact that people who are desperate to work are working and making an economic contribution, but they are still struggling to make ends meet. Add to that a particular issue that I
always try to draw attention to, which is the plight of women, despite the fact that increasingly women’s participation in the labour force is more and more equal with that of their male colleagues.

If you had told those of us who were young feminist activists in the seventies, whether they were unionists or politicians or otherwise, that we would be fighting equal pay battles in 2003, and particularly at the low end of the wage spectrum, we would have said, ‘No way.’ But in fact women on average, when you aggregate all of that compounded restructuring of the work force, take home more than $200 less a week than their male counterparts. Even if you go to full-time sectors—and I would argue that those sectors underpin the very basis of our community: health, education, finance, hospitality and retail—the full-time pay gap between men and women is about 12 per cent. At all levels of the occupational hierarchy, women are predominantly located at the lower end of the wages spectrum. Put all that together with the deliberate undermining by the federal government of the award and relativity system. Senator Forshaw, I suspect you could have given that answer, but that is the reality of the work force we represent today.

CHAIR—I know that Senator Greig wants to ask a question but, if Mr Duffin and Mr Blandthorn want to join in this panel, they can just jump in.

Senator GREIG—In your brief verbal submission you did not touch on the issue of training. I want to hear how you feel about that. We have heard this morning, through much of the hearing, what I think is some conflicting debate, with some parties arguing strongly for more training opportunities for people as a way of getting them into employment and out of the poverty cycle, but, contradicting that, we have also heard people say, ‘It doesn’t matter how much and often you train people, the jobs aren’t there at the end.’ To what extent do you think training can play a part in helping people out of the poverty trap? If so, in what fields is that training best placed?

Ms Burrow—Let us start with education. We all know the stats. If you do not complete 12 years of education or its equivalent—that is, the HSC or its equivalent or the VCE or its equivalent, depending on which state you are in—then you are four times more likely to join the queues of the long-term unemployed. That says it all. Yet we would say, in terms of that social wage erosion: have a look at the costs right now of education, even in our public schools, to families who are struggling and work out why the participation rate since the early 1990s—when it was well over 77 per cent and rising—has now slipped to below 70 per cent or thereabouts. It is not rocket science; we are not investing in the base of a decent society.

I go on to the higher education sector. We had a VET forum this morning and the stories around the table were just horrific. We know the government is actively considering changes to the VET sector as well as to the higher education sector. If you go to higher education, why is it that working-class families, with that wondrous window of opportunity that my generation had of free education at university in the seventies, had such a commitment—not—to our children that they now carry a HECS debt of $25,000 or $30,000?

A young woman I spoke to just two days ago needs to do extra work to increase her career opportunities. She is paying $140 a fortnight to just do those extra modules, yet we understand that the federal government, at the higher education end, will give discretion to universities to charge another 25 per cent on the basis of HECS when we already have something that is
unaffordable and working-class people are dropping out. We are then relying on those who can afford to pay and giving them a lower entry level point if they have the dollars to get in to university. It has gone back to the era prior to the fifties and sixties when these debates were being had.

Sandwiched in the middle of that are VET and training. If you look at the AEU’s web site you will see some research on the costs and fees in TAFE. It is quite clear that now, because of the undermining of the general provision of funding in the TAFE sector relative to demand, you have students often paying thousands of dollars for materials—perhaps not fees, but materials. Then you have lost wages already in training. Yet there is a serious debate about whether to introduce HECS in TAFE. Do that, and working-class Australia no longer has a capacity to access training.

I know that you were referring to the labour market end of the spectrum. All I can say to you is that this is not mutually exclusive. As an educator by trade I would never argue that education and training are bad things. But, if we are not looking at linking genuine training opportunities to employment opportunities, if we do not have a national employment strategy—which we do not—and if we do not have the vision for Australia to put in place the sort of industry policy that will drive employment opportunities, then we are indeed wasting our money. You can tell that I am a bit passionate about that subject.

Senator HUMPHRIES—I turn to casualisation of the work force. You seem to characterise that as a bad thing, essentially. But in this inquiry some people have suggested that it is a symptom of a diverse, flexible society, changes in the social make-up and so on. Have you done any work that demonstrates that people in casual work would prefer to be in full-time work or that a proportion of casual workers are comfortable with the option of casual work?

Ms Burrow—There is data. If it is not in here we can provide it for you. It is quite recent data that shows that the notion that people want casual work is a myth. Ian, in particular, can talk about the constituency that wants more hours because of the sort of scenario Andrew pointed out: where you cannot get enough income. So, just as we now have a wages inequality context in Australia, we now have those who are working additional hours—often unpaid—and those who cannot get enough hours.

By and large, casual work will always exist. There is no question about that. While we advocate for the part-time work directives that exist in Europe for women returning from maternity leave—or, indeed, men and women returning from parental leave—and, now, older workers making the transition to retirement, do not be fooled by the fact that people think this is a good thing. You cannot think it is a good thing if you are a student and have to work three or four casual jobs to survive through TAFE or university. You cannot think it is a good thing if the only jobs you can get are casual and do not pay you enough to feed your family and pay the rent. You certainly cannot think it is good thing if you know that, as a casual worker, you will never get access to opportunities for training to upgrade your skills and get real career opportunities. The figures show that less than about 12 per cent of those who genuinely want to work want casual work. We will get them to you.

Mr Blandthorn—There will always be a need for casual work and there will always be a particular demand out there for casual work. But, having said that, at the same time my
organisation has done a lot of research work with our members that shows that a large number out there want more hours. They are knocking store managers’ doors down, effectively, to try to get more hours. They cannot survive on the number of hours of work they are getting, but those extra hours are simply not being made available to them.

Ms Burrow—We might leave you and leave our colleagues to present their case. Thank you very much.

CHAIR—Thank you.

Senator HUMPHRIES—I will just follow that point through. Are you equating casual work with part-time work here? Are you saying that they are the same thing? You seem to be suggesting that the number of hours worked, as a supposed to casual versus permanent work, is the issue.

Mr Blandthorn—It does not matter which way you approach the issue. There will always be a need for casual work and there will always be a need for part-time work. One of the trends in the retail industry that my union has encouraged is for companies to employ people on a permanent part-time basis rather than a casual basis because at least that gives people some degree of job security. A number of major companies have started to go down that path, most notably Coles supermarkets.

Whichever way you look at it, in many retail companies for example, the only jobs on offer are part time and/or casual. In many cases, people want more hours—they want full-time jobs. Too often, we are finding that those job offers are not being made when, in effect, if one looks at the employment practices, it would be very easy in a retail store to combine several jobs into one full-time job. Rather than do that, companies are choosing to employ people on a part-time or casual basis. That is presumably because of that word ‘flexibility’. In real terms, you can combine several part-time jobs, based on current rosters, to create a full-time job; but that is simply not happening.

Mr Watson—Most casual jobs are part time. Most part-time jobs are casual. There is obviously a proportion in either case that are not. Borland, Gregory and Sheehan point out that most casual jobs are low paid. So the suggestion that is often advanced that there is this vast number of people out there who elect casual work because of the freedom and flexibility it gives them is undermined not only by the recent ABS statistics, which we will try to get you, but it is also undermined when you look at it objectively. It is unlikely that there are that many people out there who really want to work in a low-paid job with a low number of hours.

Mr Blandthorn—Firstly, let me say that my organisation totally endorses the submissions made by the ACTU. As the committee would be aware, we have put an extensive written submission before you. Clearly, we regard this inquiry as a very important initiative, so we have been prepared to do the research to produce what is quite a lengthy submission. There are some points that I particularly want to hone in on this afternoon. In that submission, we point to research that suggests 13 per cent of Australians are living below the recognised poverty line. At the same time, 14.9 per cent of children are living below the poverty line. So, there are more children in poverty in this country, based on conventional poverty estimates, than there are people overall, in terms of percentages.

COMMUNITY AFFAIRS
One in eight families with children are below the poverty line, one in five single-parent families are below the poverty line, working families represent almost one in four of all poor families and 12 per cent of families are less than 10 per cent above the poverty line. My organisation is the largest single union in the country: we represent 216,000 workers. The majority of those people are women and the majority are young people. Many of those people are part-time and casual workers. The standard award wage for a person working in the retail industry is around $490 a week, and there would be very few members of my organisation earning more than $550 a week.

The reality of what I have said is that many families in this country today are living in poverty. The largest single group living in poverty is in fact working poor families, especially families with children—particularly those with three or more children—and single-income families. Statistics that we, and I am sure others, have put before the committee show that inequality is substantial and growing. There is also a growing concentration of wealth in this country and it is significant. At the same time, that wealth is largely in the hands of people with few or no children.

I am sure the witnesses from the session the committee had earlier today spent a great deal of time talking about the deleterious effects of poverty. I am not going to spend a great deal of time doing that, except to say that poverty does lead to problems in a range of areas from educational attainment to health to community safety, and it contributes significantly to social disadvantage and social exclusion.

Poverty is, in our view, clearly linked to the changes that have occurred in the work force and it goes back, in part, to the growth in part-time and casual work and the decline in full-time employment. It goes to the fact that in too many workplaces there is not sufficient recognition paid to the need to address the requirements of workers with family responsibilities. It goes, of course, also to the issue of the distribution of work overall. But it is not, we would submit, sufficient to simply point to the problem. We think it is very important to draw out the issues of poverty and what follows from that. We think it is also important that this committee address how those issues might be redressed and how we might move from a situation where we have very large numbers of families and children living in poverty.

In our view, government policy has to address the issue of poverty and rising inequality. We suggest that families are in particularly difficult situations and we believe government policy must start from the position of wishing to protect and support Australian families. The policy orientation of government is not simply about wealth creation; it should also be about wealth distribution and it should be about ensuring that all Australians get what we colloquially call ‘a fair go’. There are a range of things that, of course, would need to be done to redress the issues of poverty and inequality in this community. I do not want to even try to canvass all those but certainly, in part, we believe that if the problems of poverty and inequality are going to be addressed then we need to look at reform of the taxation system, the social security system and the workplace arrangements that we currently have.

A major contributor, we have suggested in our submission, to the rise of poverty and inequality in this country is high marginal tax rates and we believe that is an issue that this committee might usefully address. The solution of earned tax credits may be one way to address high marginal tax rates. The high overall levels of taxation people are enduring, particularly over
recent years as taxation brackets have not kept pace with wage movements, have meant that people are often paying an increasing percentage of their income in taxation. We suggest that tax reform needs to be put back squarely on the agenda and in particular the issue of progressivity in the taxation system. We need a more progressive tax system. In terms of taxation reform this committee might look at a wealth tax. We suggest in our submission that there needs to be taxation relief for low-income families and there needs to be greater support for low-income families in government payments. In part, we believe that those costs that would flow from that could be met by the imposition of a wealth tax on high net worth individuals.

The presence of children places great burdens on families. As we have suggested, the more children in a family the more likely that family is to be close to or below the poverty line. As a principle, we support very strongly the means testing of family payments and other social security payments. We have never supported the principle of welfare for the rich, so to speak. At the same time, I think it has to be said that because of the fact that adjustments have not been made to income tests, the income tests applying to the ranges of family payments are so rigid that many low-income people who are struggling to survive are not in fact getting access to family payments. The award rate for a shop assistant is less than $500 a week and yet, on $500 a week, two shop assistants would not necessarily receive both the basic and the additional family tax payment. They might well be in a position where they would receive only the basic payment. There is something wrong when people are struggling on that sort of income and the level of payment they are receiving in family support payments is withdrawn at that level. We have the same situation with the parenting payment and the same situation in terms of large family supplements. Currently the large family supplement is effectively worth around $4 a week. Four dollars for an extra child does not go anywhere. These sorts of issues need to be seriously addressed if, in fact, we are going to address the issue of families and particularly children in poverty.

Finally, there needs to be a redressing of the inequities that exist in the workplace. As I said to Senator Humphries a few minutes ago, there will always be a need for part-time and casual work. But what we have seen is that many employers are choosing part-time and casual work as the first option to make available to prospective workers rather than offering full-time jobs, when obviously in many cases full-time employment could be made available. We believe the Workplace Relations Act needs to be amended to encourage full-time employment. We support the ACTU position that there needs to be substantial upgrading of the minimum wage. People should receive a genuine living wage. We run living wage cases but they do not produce genuine living wage outcomes.

In short, we believe that investing in families through reform of the taxation, social security and wages systems should be seen as an investment in the future of the nation. We commend this inquiry but, with respect, we think you need to look at solutions as well as the problem.

**Mr Duffin**—The Transport Workers Union welcomes this inquiry and the opportunity to make a submission to it. We believe it is an inquiry that is much needed in the Australian community at the present time. The TWU submission that has been provided is fundamentally about poverty in relation to working Australians and, in particular, in relation to the road transport industry. We did note that the session immediately prior to this one was perhaps more wide-ranging than our submission in that respect.
Our submission is fundamentally about working Australians and the changes in the composition of the labour market which have led to the growth in poverty amongst working Australians over the last decade or so. The change in composition has been in relation to an increase in both part-time and casual employment. As Mr Watson indicated in response to a question from Senator Humphries earlier, it is difficult to separate those two forms of employment. There is such a close relationship between them in the actual labour force and in the labour market that the correlation is just so significant. That certainly accounts for some of the rise in poverty amongst working Australians.

The second factor that we have indicated as something that we believe has also added to this—and Mr Blandthorn touched on this—is in relation to the change in the nature of the award system and wage fixation in Australia over the last decade or so. That change has led to the impact that Mr Watson indicated earlier in this session, which is the sort of hollowing-out of the wage system; that is, at the bottom, wages are essentially capped at a minimum safety net while wages at the top end have expanded rapidly.

We believe that if you look at the road transport industry, you see that there is a significant public interest issue associated with this development. The issue has been touched on in the Quinlan inquiry in New South Wales and also in the House of Representatives inquiry report *Beyond the midnight oil*, which dealt with managing fatigue in transport. It may be appropriate for me to read out two paragraphs from that report. Paragraph 3.56 states:

... it is disturbing that long hours of work, 12-hour shifts and routine night work are becoming entrenched in industrial agreements and, as noted in Chapter 2, in some regulatory arrangements. Further, we are concerned with the over-reliance on overtime that is apparent in some sectors of the transport industry such as aircraft maintenance.

Paragraph 3.57 states:

We are not confident that these decisions are being made in the full knowledge of the fatigue and safety impacts of long hours of work, excessive night work, extended periods of overtime and inadequate rest breaks. It seems to us that they are being made on the basis of perceived economic imperatives and, possibly, on false assumptions about productivity: assumptions which value asset utilisation more highly than risks to personal and public safety.

In relation to the road transport industry, keeping award rates of pay at the lower end encourages these sorts of situations. It encourages a high reliance on overtime in order to alleviate the effects of the wage fixing system, and it also leads to quite substantial changes in the way enterprise agreements are dealt with. The result of that, as the House of Representatives inquiry said, is that there are substantial risks to personal and public safety.

As a result, we say that there is a substantial need for reform of the Workplace Relations Act in relation to the capacity to deal with the low-paid. In our submission we say that there needs to be recognition of industry factors within the Workplace Relations Act. Potentially every industry will have a similar response to ours, but it is quite clear that in our industry it has substantial ramifications. Finally, we commend to the Senate the submissions of the other panel participants in this particular session. We have had the opportunity to review those and we believe that fundamentally they are worthy of such commendation.

CHAIR—Thank you.
Senator FORSHAW—Mr Blandthorn, you heard the ACTU speak about the decline in the value of the minimum award rate of pay over the last six to 10 years or so. What has happened to the values of what are now called the ‘parenting payment’ and the ‘family tax benefit’—benefits with predecessors going back to the family allowance payment and the family allowance supplement? If you want to take it on notice and provide me with some figures, that would be okay. My understanding is that in assisting low-income families its relative value—and possibly its value in monetary terms—has declined.

Mr Blandthorn—I will take that on notice to the extent of providing the committee with some figures on the issue. We have almost got to a position of frustration. In our organisation, as some of the members of the committee would be aware, we have made an issue of this point for many years. Over recent years in particular, there have been numerous reforms to the structure of family payments. Each time there has been a restructuring of the family payment it has become more difficult to trace the decline, but at the end of the day the real value of money being made available to support families continues to decline very drastically. And that is part of the point we make in our submission: if government is going to be serious about supporting Australian families then it needs to recognise that the value of its payments to Australian families is on a steep downwards spiral—and has been for a considerable period of time—and that needs to be addressed.

Senator FORSHAW—You have explained, in part, why I directed the question to you. I am aware that we could seek the actual figures from the department—and no doubt we would get them—but your union, I understand, has been campaigning on this issue for many, many years.

Mr Blandthorn—Yes, particularly in terms of the family tax payment and the parenting payment. Both of those ought to be strongly supported in principle. In practice, for example, if you are a shop assistant family with two shop assistants earning $500 a week, you might expect that on a combined income of $1,000 a week you would be entitled to a full family payment. In fact, you could be in a position where you would receive nothing more than the basic payment. The additional payment that was introduced as part of the social wage a decade or so ago is no longer available to many of these families. The parenting payment that was part of the social wage a decade or so ago is now available virtually only to social security recipients.

Senator FORSHAW—in terms of the employment conditions for members of your union particularly, I have been advised that some of the changes in employment conditions as distinct from straight wages have also made it more difficult for people on low-income award rates. One instance I will mention, which I understand your union has had issues with, is in regard to major shopping centres introducing paid parking for employees. I know it is not free in every shopping centre, but in shopping centres where parking may have been provided to workers free of charge they have tried to introduce charges, adding another cost to the worker’s ability to do the job. Given that they are on a low rate of pay, even $5 a day or something like that can still add up to a substantial amount over the course of a year.

Mr Blandthorn—It certainly can. One of the issues that one has to grapple with in putting a submission together is what you put in and what you leave out. The year before last we commissioned an academic to do a number of focus groups with our members dealing with the issue of trying to balance work and family. Coming into that were issues like the fact that shops are now opening longer hours than ever before and how you look after a family if you are
supposed to be at work at mealtimes or times when you would otherwise pick children up from
school, child care or wherever. I am happy to make that report available to the Senate, because I
think that gives a different perspective—a real-life perspective of ordinary workers and how
difficult it is for them to try and cope because of the changes that are taking place in a range of
areas in the workplace.

One of the issues that arise from this inquiry is the definition of poverty. In our submission,
both written and verbal, I have largely concentrated on the economic aspect of it, but I think it is
a reasonable thing to put to this inquiry that poverty is really a much broader issue than that. It
goes to how people actually cope living the life they do in the circumstances that exist. It comes
back to the sorts of issues you have raised, Senator—how you grapple with work when you have
other commitments. It is a very difficult situation for people, and it often leads to poverty—not
necessarily or only to economic poverty, but to social poverty and even, one might say in a very
broad term, to a spiritual type of poverty. It is a very broad issue.

Senator FORSHAW—To be fair to your colleague from the TWU, there are similar issues in
terms of your members. There are increasing pressures on drivers, just to earn their living,
through the demands of greater hours and longer distances to be driven without a break and so
on.

Mr Duffin—The comments that Mr Blandthorn has made I heartily agree with; I have just
deleted the words ‘shop assistant’ and put in ‘transport worker’, fundamentally. With our
members, or perhaps a section of our members, the added component is that they are away from
home as well. So they have the financial imperative of driving and the familial imperative of
trying to raise a family and being a part of a family. The Senate perhaps is in as good a position
as anyone to know the difficulties that working away from home can cause.

Senator McLUCAS—Senator Forshaw was asking about income support systems. Yesterday
we had quite concerning evidence—concerning but not new—that workers are not claiming
some of their family payments because of the complexity of the system of claiming and the
whole process of income prediction. Can you comment on that?

Mr Blandthorn—I do not have any figures on that but anecdotally we would say exactly the
same thing, and a range of reasons for that were probably canvassed yesterday. It goes to the fact
of trying to understand the complexity of the system and the difficulty of navigating through the
system. It goes in part to the ethos that seems to be generated within the community whereby
people claiming payments are frightened of what will happen if they make a wrong claim or
their claim is somehow incorrect. It is probably all these things that add to people being more
circumspect and apprehensive in working with the system than has previously been the case,
certainly in my memory.

CHAIR—What about unpaid overtime in, say, the transport industry? You have mentioned
inquiries where there was talk about trip money, which you have also mentioned in your
submission. What is meant by ‘trip money’? Does it include overtime? Can it be called an
incentive, with your having talked about public safety being at risk?

Mr Duffin—Essentially the nature of trip money is as follows: there is a set distance of
kilometres between, say, Sydney and Melbourne—it might be 1,000 kilometres; I cannot recall
the exact distance—and so many cents per kilometre are paid for that trip. It might be, depending on the size of the truck and the load, 30c a kilometre. That means you have a set figure of income for that trip. You run spot to spot, drop your load and come back. The difficulty is that, increasingly within the transport industry, there are what might be described as bottlenecks at either end. A person might go from Sydney to Melbourne and then be stuck out the front of Swanston Dock for two or three hours, or they might have to do four different drops within the Greater Melbourne region. They might do a first drop on coming in at Laverton and do a series of things before picking up to go again. By and large, those sorts of additional components are unpaid. So a person who does three or four drops within the one trip is not compensated for it. Effectively, that may be an additional hour or two hours of work.

Likewise, the person who is queuing to either pick up or drop off at either end is in exactly the same situation. They are in control of the vehicle, they are expected to be with the vehicle and they would get disciplined if they were not with it and something happened. Consequently, they are working hours vastly in excess of the hours that are set as part of that trip rate. The effect of that in the long-distance industry in particular—but also in the local areas—can be quite substantial in terms of the numbers of hours a person has to work vis-a-vis the actual income that they were to receive. The results tend to speak for themselves, regrettably.

CHAIR—Do they get penalised if they are supposed to be at, say, Port Melbourne by a certain time and they are not there because of some congestion on the Hume Highway?

Mr Duffin—They can be penalised for breaking down and effectively having to sit by the side of the road with the truck for any number of hours until someone else comes and picks up the load or whatever. The industry is remarkable in its capacity to find ways to penalise drivers for failing to comply with the schedules which are by and large set by operations managers without recognition of these things.

CHAIR—Since the Workplace Relations Act came in, the national award unions have been able to move their awards by only the safety net adjustments. Your union does not cover the drivers of New South Wales. Do you know off the top of your head, as there is still an arbitration system intact in New South Wales, what the difference in wages is?

Mr Duffin—There is a differential between the New South Wales system and the federal system of around $68. It may be a little more than that, but I do not believe it is any less; I can come back to you with the exact figures. The Industrial Relations Commission of New South Wales has recognised what we recognised in our submissions to the Senate with respect to the nature of the transport industry and its position in New South Wales. Regrettably, the Workplace Relations Act does not have the capacity to vary awards other than on a safety net basis.

CHAIR—Before the Workplace Relations Act, a number of awards had the provision for capping of casuals and part-timers. That has disappeared from the items that are allowed to be negotiated. Have you both seen an increase in casual and part-time employment since the introduction of the Workplace Relations Act?

Mr Duffin—in the road transport industry there has been a substantial increase in casualisation. In relation to part-time employment, my recollection—I cannot be sure but I will correct this if I have got it wrong—is that part-time employment was exceedingly low in the
road transport industry prior to 1996 and that it has become through the increase in casualisation a much broader thing. There are still very few permanent part-time employees within our industry, but there is a substantial casual part-time work force.

CHAIR—Mr Blandthorn, have you noticed an increase in casusalisation in your industry?

Mr Blandthorn—There probably has not been an increase as such, because the major explosion in casual employment really relates to the explosion in shop trading hours—as shop trading hours blew out, casual employment grew. What we have noticed in recent times, and I think it is linked to the reforms of the Workplace Relations Act, is that companies are tending to build what might be called ‘pools’ of casual employees that they only call upon very irregularly but that they argue they need for flexibility purposes. While I will not mention their name on the record, there is one significant company in New South Wales in which the union has a significant membership that indicated to us that they have a pool of 15,000 casuals that they treat in this way—over and above their normal established work force, they have this group of people that they call in intermittently. These are not people who would be called in only at Christmas, for example, when stores may have a substantially increased need for employees. What has flowed from the Workplace Relations Act amendment is the encouragement to employers to build these types of pool arrangements and, of course, that satisfies no-one. One of the things that flows from those pool arrangements is that if you are in the pool it is very difficult to go and get a job somewhere else because, if you are then called in on an intermittent basis and you do not make yourself available to the company, you are likely to be expunged from the pool. People are finding the overall employment terms of casuals, in the practical sense, more difficult now than ever before.

CHAIR—With regard to the engagement of casuals, have there been any trends since 1996 whereby casuals who were previously guaranteed three, four, five, six, seven or eight hours of engagement once they were put on are now having their hours reduced to two or even one? Is that a trend that you have noticed?

Mr Blandthorn—That is certainly a very significant trend that we have noticed both in award arrangements and enterprise agreement negotiations. Casual employment has been a key feature of the retail industry for a significant period of time—and, as I have said previously, we acknowledge that there will be a need for some casuals and a desire among some people to work casually. However, we are increasingly finding that companies are seeking to reduce the minimum terms of engagement for casuals. A decade ago most casuals would have been guaranteed, in practical terms, at least eight to 10 hours of work a week and minimum starts of three to four hours. What we are now seeing is a strong push from certain sections of the industry to be able to employ casuals on a one- or two-hour basis or with a capacity to employ them but send them home when things are a bit slow. The nature of casual employment has significantly changed.

Mr Duffin—To the best of my recollection, the award provisions in relation to our industry have not changed. However, in terms of enterprise agreement arrangements, there has been an increased demand from the other side of the table to have minimum engagements—usually reduced from four to three or four to two hours. There has also been a much greater use of labour hire organisations over the past seven or so years. Fundamentally, it is employer driven in the sense that there seem to be a number of employers who almost have as key performance
indicators that they do not have a certain number of direct employees, so if they are shifted off the books as it were, that is seen as a positive—withstanding the fact that they may well work for the same employer for months and years. Indeed, in the metals casuals case, though it is not our industry, that sort of evidence was very heavily to the fore of what the AMWU put to the commission. In essence, it was argued that the nature of labour hire had really changed because of the way the award system had been allowed to change the way in which casuals could be worked.

CHAIR—So the labour hire agency employees work for Skilled, or something like that, but they have on a TNT shirt, or any shirt, and you would not know?

Mr Duffin—And they are on fixed shifts. They know exactly where to go and what time to be there. There is no change in that arrangement in one sense, and yet it may be a sort of four-hour shift arrangement five days a week, but that is what they have to do.

CHAIR—But they do not work for the major carrier; they work for Skilled?

Mr Duffin—No, they do not work for TNT, for example.

CHAIR—are they generally permanent, part-time or casual employees?

Mr Duffin—Different labour hire companies operate in different ways. The majority would be casual employees with the labour hire organisation, but there are certainly some labour hire companies that prefer their people to be permanently employed with them, although in reality they are really almost a payroll office—the entire work direction is provided by someone else, fundamentally.

CHAIR—Some awards used to have a ratio of four permanents and you could employ one casual. Are they seen as casuals in that situation?

Mr Duffin—They would be, usually—in the old days, as it were.

CHAIR—I have a final question for Mr Blandthorn. Your submission emphasises the family and you refer—I cannot remember in which part—to the developing antifamily type of sentiments in the community, such as not employing pregnant women, the opposition to paid maternity leave, and I think you even talk about not being able to breastfeed in restaurants, or something like that. Would you like to expand on that at all, particularly on paid maternity leave?

Mr Blandthorn—Along with the ACTU, the SDAEA supports—and we have indicated this in our submission—the introduction of paid maternity leave. We believe that would be one of the ways to address the pressures that families, particularly young families, are under at this point in time. In terms of the broader issue, I think it comes back to the fact that quite often people have to make choices—you either live a reasonable lifestyle or you have children. For many people that has almost become the choice. In part in our submission we indicate the changes in the fertility levels as well. While there are obviously a wide variety of reasons why that is the case, the economic pressures and also the social pressures on families are such that many people choose either to not have children at all or to reduce the number of children that traditionally a
family might have. I think you see now a growing number of couples or individuals who choose for various reasons not to have children. While that is a reasonable choice, I think one of the things that flows from that is an antipathy towards people with children and towards children. You see that in a variety of ways, some of which we have indicated in our submission. Overall, it comes back to the fact that this is an area where government must lead. Government must show active support for families.

Our real concern is that we do not have that situation in this country at this point in time. We might have a lot of rhetoric, but we do not have it in practical terms. It comes back in part to the question that Senator McLucas raised earlier, about how people deal with social security payments and whether they claim them or not. If you do not have a government that actively and positively encourages families then you will have in the community the growth of what we in our submission have called in some respects an antifamily culture. I think really this is the fundamental issue that the government of this country has to face up to if it is serious about investing in the future of the country: it really needs to change in practical terms as well as in rhetoric its position on supporting families and to deliver real support to families.

CHAIR—I thank both of you for coming here late so that we could hear from your colleagues from the previous group. Certainly your statement and your submission have been taken into account by the committee. Once again, thank you.

Committee adjourned at 5.05 p.m.