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## **Response to the Government's 'Welfare to Work' proposals July 2005**

*ACOSS Info 378 - August 2005*

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We share the Government's objective to encourage and support more social security recipients into employment. We welcome the Government's willingness to invest in employment assistance, the easing of 'poverty traps' for Newstart Allowance recipients, and the boost to outside school hours care.

We acknowledge and support the main elements of the investment needed to get jobless people into employment. However, as it is presently structured, the "Welfare to Work" package has critical weaknesses that will reduce the employment gains and push many people into poverty.

### **Changes to payments effective July 2006**

It is of deep concern to us that the Welfare to Work package diverts many future applicants for income support from pensions down to lower allowance payments – sharply reducing their income support. This will effect future applicants for income support who have disabilities but are assessed as able to work more than 15 hours a week, and sole parents whose youngest child is over 5 years old. Existing recipients (who were granted before July 2005) are not directly affected unless they go off payments completely and then reapply under the new rules. The result of these unprecedented reductions in the level of future income support payments is that over the next three years, more than one hundred thousand people with disabilities and jobless families would be at least \$19 to \$38 per week worse off compared with the payments they receive under the present system. This is the difference between the maximum rates of pensions and allowances. More families would be poorer.

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The Government has acknowledged that the present division between pensions and allowances for people of workforce age is unfair and discourages participation in the workforce. By making pensions harder to get in future, the Welfare to Work package entrenches these problems. There is no need to reduce people's future payments to help them into employment. Diverting people to Newstart Allowance is counterproductive in at least three ways. First, many Disability Support Pensioners will be more reluctant to take on employment in case they end up on Newstart Allowance in future. Second, the tighter Allowance income test (compared with that for pensions) will discourage part time work. Many part time workers would be more than \$50 per week worse off as a result of the changes to payments. Third, people with disabilities and sole parents who study full time to improve their future job prospects are the worst affected group. Many of those who go onto Austudy Payment instead of a pension in future would be over \$100 per week worse off.

### **Level of investment in employment and other assistance**

Although official measures of unemployment are lower than they have been for many years, this does not take account of 'hidden unemployment', especially in job poor regions. Also, most of those who remain jobless in those parts of Australia where there are shortages of skilled labour are still out of work because they lack education, skills, and recent work experience. The barriers to employment faced by the groups targeted for assistance in this package - people with disabilities, jobless families, very long term unemployed people and mature age unemployed people - are steep.

A greater effort is needed to prepare and train these disadvantaged job seekers for employment, to encourage employers to hire them, and to ensure they progress into stable jobs. Affordable child care, and assistance to overcome the health and financial problems that fall upon many sole parents is also essential. In particular, parents should not face new activity requirements unless affordable child care is available.

We welcome the substantial increases in places in employment assistance programs in the welfare to work package, especially in 'demand driven' programs like Job Network and (at least in respect of activity tested recipients) Open Employment services for people with disabilities. However, in overall terms, the level of investment in employment and other supports is inadequate to the task.

Although there are more places in the Job Network, it is likely that the average level of assistance received by each disadvantaged job seeker will be reduced as a result of a tightening of the test of disadvantage (the 'Job Seeker Classification Instrument'). Many people, including people with disabilities, will only receive basic job search assistance (the lowest level of Job Network help) instead of advancing to Customised Assistance (the highest level of help). Further, many people in the target groups will need more help than Job Network providers are able to offer, even if they are eligible for Customised Assistance. It is therefore disappointing that new investment in Open Employment, Rehabilitation, Vocational Education, and the new Wage Assist program is so modest, given the overall numbers of disadvantaged job seekers.

## **Compliance and Penalty Regime**

A major concern with the package is the risky nature of the proposed compliance and penalty regime. We welcome the abolition of the unfair and harsh breaching and penalty regime for unemployed people. We have consistently raised concerns about the way in which the present system penalises Newstart and Youth Allowance recipients, often unfairly, for failing to meet activity requirements that are poorly understood or inappropriate to individual circumstances. We are therefore concerned about the extension of penalties to new groups such as people with disabilities and jobless parents.

In principle, the proposal to suspend payments until people comply with requirements shifts the focus from penalties to encouraging compliance. However, this option was not supported by the Breaches Review Task Force, as the immediate loss of a full payment poses many risks for recipients, especially those whose rent or other bills are deducted automatically from Centrelink payments. In its present form, the proposed system of suspensions amplifies these risks. For example, many recipients would be suspended without having the opportunity to discuss the matter with Centrelink beforehand. Also, the number of '8 week suspensions' would be likely to rise substantially because every previous breach (not just the more serious 'activity test' breaches, as at present) would count in determining whether a recipient has breached the rules on three occasions.

## **Reform of the payment structure**

The Government has an opportunity to reform the payment structure for people of workforce age to reduce complexity and improve equity. In line with the McClure Report, we recommend replacement of the 'pension – allowance divide' with a structure based on a single core rate of payment and supplements to assist with specific costs such as the costs of disability, job search and training, and rent. The system should properly acknowledge disabilities and caring responsibilities, without downplaying the employment assistance needs and potential of people with severe disabilities or younger children. In addition to the welcome easing of the Newstart Allowance income test, further steps should be taken to ease financial disincentives and costs associated with seeking paid work, studying, and other activities that improve people's capacity to work. Finally, it is very important that the Government fulfill its commitment to ensure that no recipients are worse off financially.

## **Proposed changes and enhancements**

We are committed to working with the Government to overcome the problems identified above and to develop and implement a welfare reform strategy that makes a real and positive difference to people's job opportunities and futures. We welcome the positive steps in this direction taken in the Welfare to Work package and urge the Government to improve it by implementing the changes and enhancements outlined in this paper.

### **1. Information, consultation, and evaluation**

Consultation over the shape of the package prior to the budget was patchy and very rushed. In contrast to previous consultations over welfare reform such as those leading up the *McClure Report* and *Australians Working Together*, the only substantive round of formal consultations with stakeholders was compressed into a single month, in March this year. There was no call for submissions, and no 'options paper' or similar document to inform us of the approach the Government proposed to take to assisting people to move from welfare to work. There was very limited scope for direct consultation with consumers, including people with disabilities.

### **Recommendations**

#### **Consultation**

*1.1 In regard to legislation, the Government should seek input from a working party representing a range of consumer, church and community agencies with an interest in the package, including ACOSS, well before tabling Bills in Parliament. Draft Bills should be made available to the working party for comment.*

#### **Monitoring**

*1.2 The Government should establish an advisory body to monitor the net employment impacts of the programs comprising the Welfare to Work package and its effects on recipient's incomes and personal and family wellbeing.*

#### **Evaluation**

*1.3 A detailed evaluation strategy should be released by December 2006. Data dealing with the characteristics of recipients, the sequence of assistance, their participation requirements, and the above outcomes should be publicly released on a regular basis.*

### **2. Adequate and fair income support**

We urge the Government to reconsider the proposed reductions in future payments for people with disabilities and sole parents. Instead, we urge the Government to commit to comprehensive reform of the income support system to ensure that payments are adequate to avoid income poverty, to improve fairness and to remove counterproductive disincentives to participation such as the division between pensions and allowances.

The proposed Comprehensive Work Capacity Assessments bundle together tests of disability and work capacity for both income support and employment assistance purposes. While this reduces the need for multiple assessments of the same applicant, there is a risk that over reliance on a single assessment may lead to inappropriate employment assistance, and that the contracting arrangements may reduce the fairness and consistency of income support decisions. Since the effect of a person's disability on work capacity may only be revealed after people have commenced employment assistance and established a relationship with the service provider, it is important that the Government ensure that there is scope for reassessment, on the request of service providers. The Government should also ensure that all relevant information, including that provided by treating doctors and other practitioners who know the applicant well, is taken into account and that applicants have access to the information used to make assessments, and the basis on which those assessments are made.

### **Recommendations**

- 2.1 We urge that future applicants for income support who are parents of school age children or people with disabilities assessed as able to work only part time should continue to be paid at pension rates with pension concessions and supplements, and pension income tests.*
- 2.2 The Government should introduce safeguards to ensure that there is national consistency in assessments by contracted providers, and ensure Centrelink has discretion, in accordance with clear legislative principles, to decide whether to accept assessments or seek a second opinion. We urge that all relevant information concerning applicants' disabilities, present circumstances and background be collected and that there be scope for timely adjustment of assessments where circumstances change or new information is obtained.*

### **3. Improved job opportunities and child care support**

Although the *overall* investment in employment assistance and other supports to help people into jobs is substantial – we have identified around \$1.5 billion in new spending over three years - the *average* level of investment for most people affected by the changes is very modest, and offset to a significant degree by proposed reductions in Job Network funding. A significantly greater investment is required, including in specialist services, and the Job Network fee structure should be adjusted to ensure providers have both the incentive and the resources they need to assist the most disadvantaged job seekers. In addition to the proposed 'service guarantee' for parents and mature age recipients, all job seekers should also have more choice to change providers where they consider the level of assistance is inadequate. To help ensure the additional resources are effectively used to improve job outcomes, we also propose (see above) that a permanent employment assistance advisory body be established.

## **Recommendations**

- 3.1 In designing activity requirements, sequences of employment assistance for jobless people, and fees and service agreements for providers, the Government should take account of the limited job opportunities in many regional areas.*
- 3.2 Resources and incentives for Job Network providers to assist disadvantaged job seekers, including those being drawn into the Job Network as a result of the Welfare to Work package, should be improved by:*
- reviewing the JSCI to ensure that the level of labour market disadvantage of job seekers is properly recognised in the assessment and classification system – options include taking account of recent periods out of the labour force and increasing the weighting for disabilities*
  - improving Job Network resources to assist people with disabilities and maintaining the present level of access to Intensive Support Customised Assistance for people with disabilities who are assessed as able to work part time*
  - adjusting outcome payments to ensure that providers have sufficient incentive to assist disadvantaged job seekers to engage in part time employment*
  - extending Intensive Support Customised Assistance to very long term unemployed people, and increasing the resources available to providers up front to assist disadvantaged job seekers at that stage of assistance*
  - giving employment assistance recipients more choice to change providers if they believe they are not receiving an adequate standard of service.*
- 3.3 Substantially increase over time the number of additional places available in Open Employment services, in order to improve opportunities for Disability Support Pension recipients.*
- 3.4 Maintain JET child care subsidies for parents undertaking courses longer than six months' duration and substantially expand the number of vocational education and training places available in the package to meet the expected increase in the number of parents who will require additional assistance.*

## **Childcare**

- 3.5 (1) A substantial proportion of the additional child care places should be earmarked for Parenting Payment and other income support recipients.*
- (2) Start up assistance should be expanded for new outside school hours care services in regions with very limited provision.*
- (3) Subsidies for children with special needs (e.g. disabilities) whose parents are engaged in employment and other activities as a result of the Welfare to Work package should also be expanded and improved.*

## **4. Employer Assistance – barriers and investment**

The Welfare to Work strategy can only succeed if there are fundamental changes in employer's willingness to engage disadvantaged job seekers, and public support for them to do so. Despite a relatively tight labour market in most Australian cities, most employers are still reluctant to engage people with disabilities, mature age workers, indigenous people, and long term unemployed people. Many are reluctant to

accommodate the needs of parents for flexible work schedules and time off to meet the needs of their children, which are especially important for sole parents.

## **Recommendations**

- 4.1 As part of the proposed 'employers package', the Government should develop comprehensive national strategies with both a short and medium term focus to encourage and support employers to engage people with disabilities, mature age people, long term unemployed people and indigenous people.*
- 4.2 The Government should conduct and publish detailed and timely research on employer views on the benefits and barriers to employment of disadvantaged job seekers as well as resources for publicity campaigns to tackle discrimination and highlight best practice and business models.*
- 4.3 The Government should establish new programs, and extend existing programs to assist employers with the additional costs and challenges involved in engaging disadvantaged job seekers, including higher Workers Compensation costs, the need for relief staff for employees with episodic health problems, workplace modifications, and mentoring of parents who obtain part time employment to ensure that work arrangements are flexible enough to meet their children's needs. It would be desirable to pilot any new programs in the first instance.*
- 4.4 The Wage Assist program should be greatly expended to encourage employers to offer work experience in a mainstream employment setting that is likely to lead to ongoing employment.*

## **5. Flexible and realistic obligations and a fair compliance system**

The present compliance system, including an excessive emphasis on compliance built into the design of programs such as Job Network, leads to a destructive cycle of disengagement and punishment for many recipients. In most of these cases, the problem is a lack of understanding of complex procedures, or a loss of hope, rather than refusal to comply.

Requirements to look for work or participate in programs should only be extended to people with disabilities and parents if the Government can demonstrate that it would improve people's job prospects and not adversely affect their children. It must be kept in mind that social research confirms the importance of effective parenting in the early years on children's futures. The system should recognise the need for many income support recipients to improve their education, skills and capacities, rather than simply requiring them to look for a job immediately. Any activity requirements must be relevant to individual circumstances, especially people's disabilities and the needs of their children. They should be negotiated fairly and consistently, according to principles of natural justice, including full review and appeal rights. Penalties should be reduced and only used as a last resort. Finally, as outlined above, a substantial investment is required in more and better jobs, employment assistance, and in support services such as child care.

The proposed 'full time Work for the Dole' and payment suspension provisions assume that substantial numbers of recipients are avoiding work. Our experience with disadvantaged job seekers suggests the opposite. In many cases what at first appears to be 'work avoidance' is in fact disengagement produced by a lack of information, a mental health problem, poor self esteem, or procedural failure (for example, a mail house letter that went to the wrong address).

## **Recommendations**

*5.1 To improve clarity and protection, the participation requirements introduced for people with disabilities, parents and mature age job seekers should be outlined in legislation.*

*5.2 As referred to in the previous Australians Working Together legislation the following provisions should be retained and extended to other groups, including:*

- any requirements should be averaged over a number of weeks rather than a fixed number of hours per week*
- recipients should have the option to participate in education and training that would improve their future job prospects and income, rather than searching for a job immediately*
- parents should be exempted from participation requirements where they have:  
- a child with a disability or chronic illness, or  
- where a critical event in the family's life, such as divorce proceedings or threat of domestic violence, would make compulsory participation unreasonable at this time*
- recipients should be exempted where they have substantial caring responsibilities for people with disabilities or chronic illnesses*
- there should be no requirements (apart from interviews) imposed during the first six months after receipt of income support in the case of parents who have just separated from their partners.*

*5.3 The legislation should specify that any new participation requirements must be reasonable, and must take account of the availability of suitable paid employment as well as;*

- their employment, education and training background*
- the number, ages and needs of children, including their need for parental attention and support and family emergencies such as sick children*
- access to child care and school*
- other caring responsibilities*
- disabilities or health problems, including episodic conditions*
- instability in the family or in living arrangements*
- locational factors, such as proximity to affordable transport*
- the direct costs of compliance with requirements*
- the aspirations and goals of recipients.*

*5.4 In determining reporting requirements (such as requirements to declare earnings regularly or report to Centrelink offices, and 'dole diaries) for people with disabilities and parents, and mature age unemployed people, the Government should ensure that compliance costs and the time required to report are kept to a minimum.*

- 5.5 *There should be no requirement for parents or people with disabilities to participate in Work for the Dole, and no requirement for very long term unemployed people to undertake 'full time Work for the Dole'.*
- 5.6 *Protections against unfair decisions and financial hardship in the event of a suspension of activity requirements should be maintained and strengthened by:*
- *requiring Centrelink to make at least two attempts to contact recipients, and discuss the issues with them, before suspending any payments, and to do so in writing in the case of alleged activity breaches*
  - *ensuring that any suspension system does not impact differently and unfairly on a person because of when in their payment cycle Centrelink processes their participation report by maintaining the current suspension system for the first fortnight*
  - *ensuring that any penalty be a fixed amount (not subject to when in the payment cycle Centrelink processes a participation report), no more than one day's deduction and that it not be deducted in the fortnight that the participation report is processed*
  - *maintaining the distinction between administrative and activity breaches for the purpose of determining whether non payment suspension should apply, and significantly reducing the nonpayment period*
  - *maintaining the scope, resources and format of the independent Social Security Appeals Tribunal and the internal ARO system within Centrelink, and giving recipients a right of review and appeal against any decision not to fully restore a payment after suspension, or to impose a suspension of more than one fortnight's payment*
  - *existing safeguards, including those introduced in 2002, to minimise the risk of unfair breaches and suspensions, or suspensions of vulnerable groups, should be maintained*
  - *new safeguards should be introduced to prevent financial crises in the event that payments are suspended, including for recipients paid on Fridays and those using the Centrepay system.*
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