

**It’s all about the world view we want.**

**National Foundation for Australian Women (NFAW) Response to the interim report of the reference group on welfare reform – *A New System for Better Employment and Social Outcomes****.*

INTRODUCTION

NFAW is a non-politically aligned feminist organisation committed to examining the potentially differential impacts of policies and their outcomes for men and for women, and whether the consequences of policies, intended or unintended, may adversely impact on women.

In Australia, nearly 60% of income support recipients are women. Women are more likely than men, at all ages, to be receiving income support, generally because they have lower incomes and assets.

For working age women receiving income support, over 50% of payments are for parents, carers, partners or widows. For working age men on income support, over 50% are receiving unemployment benefits.

Australia’s growing income inequality has a gendered aspect. Men tend to be the main contributors to revenue with respect to taxation because of their higher earnings. Women tend to be the beneficiaries of expenditures through the provision of services such as respite care or child care. Aiming to lower benefits, by making employment an attractive option can have a differential gender impact because for many women, they rely on the provision of additional assistance through subsidised services, for example, child care or dependent persons care.

“On average women have lower lifetime earnings compared to men, retire with less superannuation than men and own a smaller proportion of the nation’s wealth. Women are more likely than men to live in poverty, particularly after relationship breakdowns….Paid employment has many benefits. However there is evidence that working in poor quality jobs may be worse for individual wellbeing than the experience of unemployment. (Butterworth et al 2011). Research from the United Kingdom highlights a problem where people in low wage jobs experience a combination of time poverty and income poverty” Mary Leahy Nov 2011 Swinburne.

*NFAW supports the principles proposed in the report. However, these also need to be placed in a background that entrenches the principles of*

o *Enhanced fairness because the level of assistance is closely related to need*

o *An equitable distribution of wealth*

o *Support for a broader more resilient economy in which market value is tempered and enhanced*

*by the quality of public and social institutions*

*In addition, NFAW believes that design of a reformed system should ensure that no disadvantaged group is worse off; that as well as the impact on outlays, the overarching goal is to decrease total poverty and increase the well-being of people.*



*We also believe that consumers should be at the centre of the design process.*

We acknowledge that the reference group is composed of highly qualified people; however there are

no consumers or non-Indigenous welfare representatives. The review initially selected a wide range of

stakeholders to discuss ideas but did not include specific women’s or carers groups.

NFAW is concerned that a 6 week consultation period is too short for an important reform agenda, although we note there will be round tables and an internet forum as well. The response to the Budget highlights the importance of listening to the community.

KEY FINDINGS

In terms of expenditure, Figure 1, Appendix G, of this report shows welfare spending is declining in absolute terms. OECD material shows that Australia spends relatively less on social security than other countries. In addition, the OECD has reported that there is”…little evidence of a correlation between economic performance and social expenditure, or that social expenditures contribute to losses in productivity.”

Much of the report is welcomed but much appears problematic because of the context in which it is written. The removal of various elements of the safety net for unemployed, reductions for industry assistance, the deregulation of university fees, the squeeze on pensions and family payments – remake Australia in important ways. They redefine the role of government to make it much smaller.

NFAW believes that the projected size of the Budget deficit should not be used as a proxy for the health or performance of the whole economy.

Social and economic structural change explains much of the increase in recipient numbers. Acknowledgement of the impact of economic cycles and labour market changes need to be included in the final report. For example, the increase in part time and casualised work has an impact on recipient numbers. Part time wages with part rate benefits has exacerbated recipient numbers.

Part time workers who receive some benefit and who have more than one job can lose the immediate benefit of the second tax free threshold as well as incurring high effective tax rates because of the interaction with abatement rates. The interaction of the tax and transfers systems was highlighted in

the first discussion paper for the Henry Tax Review1. Although the rates have changed since 2009, the same effects can still be seen.

Jobless beneficiaries can build up working credits if their income from paid work is less than $48 per fortnight and they can also go off benefit and keep their concession cards for up to 12 weeks.

*NFAW recommends that the review radically change these limits so as to make work more attractive through a much simpler and more generous system*.

1 Treasury: Architecture of Australia's tax and transfer system; August 2008



Our analysis of the recent Budget suggested that it failed both the fairness and equity tests and that its measures fall disproportionately on women and on low income people in receipt of benefits. These Budget measures pre-empt this Review and, if implemented, would negatively impact on the adequacy of payments and worsen sanctions for non-compliance.

The proposed changes to welfare announced in the Budget, aimed at moving the jobless into work - including the decline in the rate of indexation, lack of payment for many under 30 years and changes to family payments will make life for many working age people uncomfortable or precarious. These make out-of-work benefits even lower. It is already widely acknowledged that the rate of Newstart

does not allow a person to live at an acceptable standard in the long term2. Placing more people onto a working age payment has too many risks, unless the base payment is substantially increased. and a community standards rate of indexation is introduced.

*NFAW recommends that as Newstart would become the basis of any working age payment in the future, its historical relativity to pensions be re-established.*

*NFAW recommends that the proposed Budget changes be delayed until after the findings of the final report are delivered*.

NFAW believes the government should reject attempts to expand income support programs which

limit what people can spend their benefits on. We believe that it is expensive, punitive and with mixed evidence about its effectiveness.

*NFAW recommends that there be no broadening of the income management system and that it should be removed from any reformed future welfare system...*

The report does spend time addressing how to make the prospect of work more viable and appealing and this is supported. NFAW notes that this approach is expensive, can take a lengthy period of time, and needs to be based on a realistic view of individuals and families’ circumstances. We note that employment services to date have been driven in large measure by a desire to keep costs as low as possible.

The jobs first rationale underpins the review. “Individualized activation with extensive supports” is supported. However, NFAW is concerned that an exclusive focus on an individuals’ deficits, and the role and actions of individuals, understates the redistributive or protective role of the state. We are concerned that an individual focus alone could become the rationale for a more harsh sanction regime.

*NFAW supports the report’s emphasis on an individualized investment of assistance to the jobless and recommends that there be a substantial increase in spending on Employment Retention and Advancement type programs.*

2 Senate Standing Committee on Education, Employment and Workplace Relations: The adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market; Nov 2012 at p 54



The introduction of the NDIS following national trials will have a huge impact on people with disabilities and their carers. It seems premature to change income support parameters for these groups prior to the establishing the findings of the trials.

It is also the case that the assessment regime for DSP was changed in 2012 to move away from the previous medical model to one that focused on work capacity.

*NFAW recommends that the NDIS trials findings be used as the basis of the development of strategies to increase workforce participation for people with disabilities and carers.*

*NFAW recommends that income support for people with a disability should not be based on their level of impairment but take into account the findings of the NDIS trials.*

Housing for vulnerable people is critical and NFAW agrees that rent assistance hasn’t kept pace with private rent increases in Australia. However, the issue of housing stress is broader than simply rent assistance. In particular the increasing reliance on the private rental market, with market rents subsidised in respect of eligible beneficiaries, is regressive

*NFAW recommends that the broader issue of housing stress be examined as part of the overall review.*

We agree that evaluations and research are important but we shouldn’t ignore the many things we already know. For example, we know that young people leaving care and protection in Australia are one of the most vulnerable and disadvantaged groups. A CREATE Report Card in 2009 found 35% of respondents who had left care were homeless, only 35% completed year 12, 30% were unemployed

and 29% were already parents. The average age of these respondents was 20, and the maximum age was 25, accordingly many of these young people would lose entitlements to benefits under the current proposals. We support the continuing work on this issue that is being undertaken through the National Framework for Protecting Australia’s Children.

*NFAW recommends that income support for young people be based on their need not their age.*

NFAW does believe that the body of knowledge in Australia is deficient regarding cohort analyses. Since the mid 1990’s many of the women going onto DSP are there because of the increase in the Age Pension age for women. Together with proposed changes to Carers Payment in, the report suggests work is needed to research and develop strategies for helping older women transition to the workforce.

*NFAW recommends that any new employment system include programs for women transitioning back to work after a long period out of the workforce*

NFAW supports the need for improved and more effective employment assistance, and expanded wage subsidies and training assistance. However, while business clearly has a vital role to play, it should be made explicit that government has the critical role as both a major employer and source of finance in Australia.



VET reform and restructuring has been a preoccupation of governments for nearly two decades. The publically funded TAFE system is slowly being displaced by the creation and expansion of a demand driven competitive training system with some 5000 private providers of varying quality and standard of education. VET is critical to women re-entering the workforce. In addition, there are more female overseas born students than male, nearly 70% of whom do not speak English well, currently participating in VET

NFAW supports much better involvement of all parties, including philanthropic organisations, employers and the community. However we see that support as complementary, not as a substitute for government funding.

PILLAR ONE: A SIMPLER AND SUSTAINABLE INCOME SUPPORT SYSTEM

The report places considerable emphasis on simplifying the income support system. It proposes a binary system with an age pension, permanent disability pension and a tiered working age payment. The report doesn’t address what decision making process would be used to determine what tier to which an individual would be allocated or what discretion decision makers would have.

We support the findings of the Henry report Chapter 5 “if a person is expected to take immediate full time work whenever they can, it is important that they are much better off taking that work. … if a person is also receiving family assistance or youth payments for dependent children it is important that the adult’s rate of income support provide for a similar standard of living so as not to compromise the assistance for children…harder to justify is the fact that rates of pension and allowances are not merely different, but the gap between them is widening”

The report recommends better alignment between the rate of pensions and allowances. This is an important issue. The Newstart Allowance is too low and is a serious cause of poverty. Given the proposed Budget changes to indexation for pensions and allowances, NFAW is concerned about future indexation arrangements.

The demonisation of people on DSP and Youth Allowance (YAO) in the tabloid press is also of great concern. We support Anglicare Australia’s comment “We are concerned with the plan to shift more people of Disability Pension onto Newstart or something similar. Firstly there are not the jobs available for people with a disability to fill. Secondly the Disability Pension already goes to people who really are extensively incapacitated…The talk about giving people more incentive to work can end up as code for undermining their security, and allow others to blame them for their circumstances.”

“It…. appears that most people on DSP have significant impairments that genuinely affect their

employment prospects.” Productivity Commission, Disability Care and Support, Appendix K, K16,

2011.

The rate of people on DSP with mental illness is similar or higher in most comparable countries. This category has been growing fastest most recently and many of the new entrants are women. But much



of this is attributable to the increasing age pension age for women, changes to Parenting Payment, closure of windows pension and women moving off Carers Payment.

NFAW supports increasing rent assistance and maintaining its value. However, as the

Harmer review noted 6% of age pensioners live in public housing and 11% receive rent assistance. For DSP the proportions are 18% and 27% and for carers 15% and 21%. “rent assistance and social housing have complimentary roles to play in addressing the financial security of these pensioners.” As the Mc Clure report notes, family circumstances and the cost of housing are the main reason people don’t move for work opportunities. They are often likely to face more expensive housing, especially for those in public housing. There are a number of complex commonwealth, state and local government policies constraining housing supply. Increasing rent assistance will however only increase the amount of money chasing a limited supply of housing. This issue is as important as maintaining the value of rent assistance.

While the report does recognize that investing in at risk 16 to 18 year olds is important, the assumption seems to be that parents should take largely be financially responsible. It does not explore the consequences for young people who do not have family supports.

Young people not living at home, who are early school leavers, are particularly at risk. The vast majority of young people finish year 12 and go on to post school study. The at risk group are much less relatively competitive and this needs to be recognised through the payments they receive and the assistance they are given. NFAW believes payments should be based on need not simply age.

PILLAR TWO: STRENTHENING INDIVIDUAL AND FAMILY CAPACITY

The report implies that for sole parents, people with a disability who have a partial capacity to work, and most of the unemployed – other than those in “protected categories” - social security would be effectively an individual responsibility. It would act as a gateway to impose a set of conditions (backed by a strong compliance regime) which served to oblige people to accept any job, of almost any

duration or terms which the labour market generates. NFAW believes that the focus should be on obtaining sustainable employment. It can take up to 2 years to establish strong attachment to employment and support systems need to be built around this.

We need to take the opportunity to reform the system that would allow sustained support that recognises the reality of people’s lives. A sole parent entering paid work will need a range of assistance that is considerably beefed up over existing arrangements. For example, after school care commonly finishes at 6.00pm, children are often too sick to go to school. Such issues make working, for example for a waitress on shift work, very difficult and they need the opportunity to establish reliable back up.

Carers do not receive sufficient coverage in the report. The report seems to imply entitlement to income support as temporary rather than long term…. “the characterisation of caring as a temporary disruption to employment does send some troubling messages. It downplays the value and importance of caring, and ignores the costs and difficulties associated with families’ – particularly women’s – responsibility for the bulk of family care.” Yvette Maker, the Conversation 8 July 2014



Carers are vulnerable as the extent to which a carer can participate in the paid workforce is limited by their caring responsibilities. In its 2013 report the AHRC noted that less than 23% of female carers of a person with illness or disability is in full time paid employment. They also frequently contribute to the additional costs of the disability or illness of the care recipient. It is estimated that the annual value of assistance provided by informal cares is A$40 billion.

The AHRC recommended that the regulatory framework around carers be reviewed to ensure that the value of unpaid care is recognised. It also recommended that the payment structure be reviewed to better support combinations of employment, unpaid care-giving and income support. The proposed Budget changes to pensions and allowances will have a direct negative impact on carers. Tying increases to the CPI, will effectively reduce the carer payment in real terms

The report suggests carers “…continue to do their caring role whilst supporting them to remain attached to the labour market or re-enter it wherever possible” but does not set up appropriate mechanisms to address the specific issues they face.

The report notes that disability support provided through the National Disability Insurance Scheme (NDIS) might enable some carers to return to work. Carers Australia warns that is too early to predict the scheme’s impact. It has expressed support for measures to help carers move into paid work once their caring ends.

The report does not acknowledge the reality of Australia’s contemporary labour market. Achieving greater labour force participation needs to address these issues. The report has a strong focus on individual’s needs which is supported .but the systemic causes of social problems such as unemployment also need to be addressed. For example, youth unemployment is driven by total unemployment and decreases when total unemployment decreases.

NDIS does not cover people with a psychiatric disorder. In addition, many people who suffer from multiple conditions, are unable to ascertain their eligibility. For example, a person with Asperger’s Syndrome, an eating disorder, diabetes and hypertension may be eligible for the DSP but because the condition deemed to be the primary cause is not a physical or intellectual disability is unlikely to be eligible for the NDIS. Yet this person may require a carer to assist with dressing and personal care, management of the eating disorder and supported accommodation and is not a candidate for employment, even on a part-time basis.

Unemployment and participation rates for people with a mental illness have remained unchanged over the last decade at around 20% and 28% respectively and are the worst of any disability group. Current employment services achieve poor results for this group. NFAW believe this is an area where research into successful evidence based employment interventions is greatly needed.

There needs to be a balance between compliance and encouragement. Cutting people off benefits where sanctions are harsh, encourages individuals, especially women, to leave the labour force entirely.



Widening the application of income management is not supported. It implies families are dysfunctional and need intensive oversight and direction by a government official. The systemic causes of their problems are not addressed.

Emma Davidson of the Equality Rights Alliance in August 2011 released a report on discussions with

over 180 women around Darwin and Alice Springs. The women’s views and perceptions included

o “85% of women say they have not changed what they buy because of BasicsCard

o 22% said they save money with BasicCard, 75% said it makes no difference to their spending,

and 2% say it costs them more to use BasicsCard

o 74% said it does not make it easier to look after their family

o 85% said they do not feel respected when they talk to Centrelink, and 84% said they do not

want to tell Centrelink if they have problems

o 74% said they feel people aren’t nice to them when they use the BasicsCard

o 70% said they do not feel safer since the introduction of income management”

The research included Aboriginal women, women with refugee background, and women who have

experienced domestic violence.

PILLAR THREE: ENGAGING WITH EMPLOYERS

Research by Social Enterprise UK shows that twice as many women run social enterprises than lead small businesses. According to the Independent, “Women are almost twice as likely to reach the top ranks in social enterprises as they are in mainstream businesses” and “more than 90% of companies that focus on tackling social problems have at least one woman on their leadership team.”

The Victorian government runs Social Enterprise Initiative for Women as part of its Women’s Economic Participation Agenda. The initiative aims to help women improve their business acumen and skills, facilitate the engagement of women in the development of new social enterprises and to support women to lead the improved sustainability and growth of existing social enterprises.

The Participation Strategy also includes the Pathways Into Employment Initiatives which supports women who are under-employed or not in the labour force to overcome barriers, gain skills, and move into sustainable employment

The August 2013 Brotherhood of St Lawrence/Melbourne Institute study into job retention and advancement of disadvantaged job seekers. It looked at factors that assist the unemployed and others with long spells about of work such as sole parents, and people with disabilities. For women, who overwhelmingly worked part time, the report highlights the effect of long periods out of the workforce and the effect of their move onto Newstart. It also highlighted the tendency of the employment service agency to encourage women to seek work in low paid sectors such as care, with little prospect for advancement. It examined the inflexibility of issues such as start times. Employment was sometimes precarious, because it was contract based, casual and reliant on government funding.

The qualitative research identified three key interrelated factors that shape employment pathways: work and family, disability or ill health and the nature of available jobs. The study looked at Employment Retention and Advancement programs and found that” the most effective had use a case



management model that provides pre and post-employment support, has low case loads, is targeted to the needs of particular groups, provides services out of hours, focuses on initial placement in good jobs, and has strong links with employers and other services. Training should provide a wide range of options from on-the-job to accredited training and be closely linked with needs of employers and the

local labour market. These interventions can be complemented with financial incentives in the form of

retention bonuses, training incentives and emergency financial services. “p19

Lisa Fowkes,( March 2011 former Chief Executive of Job Futures) reinforces this research “…in thinking about the next iteration of labour market programs it is this broader set of challenges that need to drive the discussion. While our labour market programs are geared to “activation” they are poorly placed to support adaptation. The legacy …in a period of low headline unemployment is a system, which treats unemployment as, at its core, a moral failing of individuals. While assistance is provided, the major form of intervention is to increase pressure and to change behavior of job seekers.”

Value for money was a key driver for establishing the Job Network and subsequently Job Services Australia, when the privatised employment service was introduced. While they achieve lower cost per employment outcome it creates a system that enables and requires rationing of resources at the front line.

The NDIS will be a good example of participant driven services which provides long term, ongoing support. Lessons from its implementation should be used to model assistance for other vulnerable groups. Individualised funding in programs such as the Personal Support Program and JPET offer good insights into what a new system could look like.

The focus of employment assistance has been on addressing the deficits of the unemployed. There has been insufficient attention to employers and the extent they may need to adjust their practices to support increased participation of people currently outside the labour force and to reduce the burden of risk on workers caught in peripheral jobs.. The review of the Fair Work Act could make this a

priority.

PILLAR FOUR: BUILDING COMMUNITY CAPACITY

The opportunity to work is not evenly distributed across Australia. Some remote and rural

communities are not only job poor but distant from work opportunities. In communities where multiple sets of social disadvantage are concentrated, employment cannot be addressed on its own. Australia

has many examples of programs for disadvantaged communities including the COAG trials of joined up approaches in remote communities and the Communities for Children program, explicitly designed to build local partnerships and to support highly localized responses to the needs of young people.

Building the capacity of disadvantaged communities needs a diverse provider base, especially smaller community based providers that allow communities to influence the way services are provided locally.

The current system; based on competition and dominated by large national or state wide providers, is a poor fit for the sort of ground up response that is needed.