# Welfare Review Submission Template

## Pillar One: Simpler and sustainable income support system

Changes to Australia’s income support system over time have resulted in unintended complexities, inconsistencies and disincentives for some people to work. Achieving a simpler and sustainable income support system should involve a simpler architecture, a fair rate structure, a common approach to adjusting payments, a new approach to support for families with children and young people, effective rent assistance, and rewards for work and targeting assistance to need.

**At a recent talk ( “The Price of Inequality” ) in Sydney Professor Joseph Stiglitz ( economist) stated that inequality was the direct result of politics and policy, having doubled in the last 30 years (in the USA) – as a consequence of the Reagan – Thatcher era. Unpacked this means one tenth of the top 10% of earners in the USA have tripled or quadrupled their income, while there had been a large decrease in the number of those categorized as middle income and a marked increase in the number of those people living in poverty ( this included full time workers on the minimum wage). Whilst Australia is not challenging the USA to the title of the world’s most inequitable country, neither is it anywhere near being the most equitable nation.**

**Stiglitz further noted the median income in the USA has STAGNATED, indeed fallen, over the past 25 years. Productivity has increased but incomes have not (the gap between productivity wage increases jumped 100% in the 30 years following the 1970’s). In light of this Stiglitz asserted that the ardently held belief that in “trickle-down economics” has proven not to be true. As a final warning on the consequences of growing inequality (a view shared by French Economist Thomas Piketty as well as Saez) he warned Australia that it could either choose policies which increased inequality in society – and hence create severe economic problems for the nation, or, it could choose settings v strategies that would decrease inequality – hence resulting in higher economic growth.**

**The latter strategy is obviously the most appealing to me and probably all Australians of good sense. My concern is that the McClure report (interim) appears firmly rooted in conventional economic wisdom and beliefs (INCLUDING the fallacious trickle-down effect that will result in growing inequality and resultant economic hard times. I call for a re-examination of the underlying principles v assumptions, and a formulation of policy directions that seek to decrease inequality ( rather) than driving the poorest and most disadvantaged into eye below the poverty line, or driving them even deeper into the poverty trap [e.g. by withdrawing government unemployment benefits/any income support or safety net for 6 monthly periods from young job seekers who already deal with the grim reality of 20% unemployment levels in many urban and regional centres] from which they are unlikely to escape or emerge from intact as human beings. Not only is this position morally repugnant, neither does it make any sense in terms of current economic theory (which is based) on some pretty impressive and substantive data analysis). The costs of ill health and disability are huge. Why increase the burden?**

**It is worth noting that Stiglitz characterised Australia as a “natural resources country”. He suggested that the value of these resources, being in effect the capital assets of its citizens ( which the government has a duty of care to manage wisely on its behalf should be used to support the worst off in society... I realize that the current government is ideologically opposed to the taxing of the mining sector, but do see these resources as belonging to the people of Australia (that is what Crown Land v government ownership of minerals locked in the soil surely). Stiglitz’s warning in this regard is important to note – we don’t wish to experience what he calls “the natural resource curse”, i.e. be a rich country with poor people (parts of Africa and the Middle East spring to mind). There is an alternative. Norway, for instance has “reinvested in its people” and achieved low inequality as a result. Does Australia rather wish to be like the USA, which in 2009-2012 had 90% of wealth/income in the hands of the top 1% and median wealth falling 40%? The strongest argument for not wanting to be in this position is the societal instability that results. Such instability is thoroughly toxic, leading to dire social consequences such as crime, violence, abuse of drugs and alcohol, rising rates of mental illness – a trashing of a breathtaking number of human Lives. Even the IMF has judged that the higher the inequality in an economy or country, the slower the growth rates and the more unstable the society.**

**Modern economics provides a fresh imperative when reviewing the architecture of the system for better employment and social outcomes, as delivered through the Government’s social support system. I challenge the authors of the McClure report to look to the investment needed, not to the cost efficiencies and support system trimming that can be achieved. Australia may have done reasonably well to date in dealing with inequality and redistribution of wealth ( 3rd worst before tax and transfers, slightly better after), even avoiding the GFC to a great extent ( as politicians took strong actions to prevent financial collapse) BUT the vision should be one of creating less inequality, a key goal being an equitable society/economy. Good economic sense appears to dictate this.**

## Pillar Two: Strengthening individual and family capability

Reforms are needed to improve lifetime wellbeing by equipping people with skills for employment and increasing their self-reliance. To strengthen individual and family capability changes are proposed in the areas of mutual obligation, early intervention, education and training, improving individual and family functioning and evaluating outcomes.

**I believe there are many hidden assumptions that underpin an assessment of the social security system/social safety net. The guidelines established for a review, the ideology of the government in power (and commissioning the report) deep seated and unacknowledged stereotyping/bias/value/judgements/beliefs based on past experiences – are potent, often emotional rather than rational, freight that insidiously informs a process that is supposedly “arm’s length”, but in actuality is based on belief systems and visions for the future. Assumptions bedevil the social sciences, as it highly questionable science when all assumptions are not explicit/provable. Popper would spin in his grave over the smudging and fudging that can result.**

**An example of this problem is Twiggy Forrest’s paper with regard to Aboriginal issues (which he has experience of first hand), and extended to encompass a welfare recipients. The first question is whether it was evidence based (in a scientific sense). Opinion, even of the “successful” individual cuts across individual differences and hence is a poor predictor of successful strategy for the total population. The second question is whether Aboriginal people/communities were asked for their opinions and perceptions. If not, one set of values and assessment of problems overrides the “real” story. The deficit of investment in basic infrastructure and accessible services are two relevant variables easy to miss from an outside perspective. Local problems need local solutions.**

**A perennial piece of faulty logic that recurs in the report’s purview is related to “deserving and undeserving poor “and cossetting the poor results in dependency (e.g. Blaming the victim for their inability to find a job in an economy where jobs are scarce or somehow believing that disabilities can be overcome by will power or “better attitude” rather than appropriate health care and support services). These assumptions snuck into the “world view’ in the 19th century. As we are now in the 21st century, conditions have radically altered and the understanding increased of the causes of social disadvantage – can we please dump this Victorian moralising? I am sad to say that the Executive Summary seemed redolent of such assumptions cloaked in economic language the discussion is of costs not outcomes.**

**By way of example – without sufficient funds to cover housing, food, power costs, IT and telecommunications, ‘job appropriate’ clothing and transport costs the poor cannot engage with job seeking effectively if Y=decreased cash payments and services available and X = increased motivation/success in job seeking – X does not follow Y! Y actually results in further descent into poverty (homelessness, mental and physical illness etc.) and disconnection from society. It results in “bread theft” crime, harm to individuals connected by familial or community ties. The project of creating a better future, with more people engaged in meaningful work ( paid and voluntary) and lives will not be answered by reduced payments and transfers or budget cuts (e.g. to homeless services, halfway houses for the mentally ill, literacy and numeracy programs set up as an alternate to programs for school system programs for “youth”, Womens refuges). A better motif for the current review would be “the operation of the Australia’s safety net” i.e. not how and much but rather what is needed, what fundamental living standards does this country adhere to. Streamlining and simplifying can easily further disempower and disenfranchise those whose need of the safety net reflects the government social contract with the most vulnerable in society. It is not something that a responsible government would choose to “cut and run from”, choosing rather to focus on short term expenditure reduction (the full cost of which will explode some years down the track). A government doing its job for the nation would not be blended by short term (small scale) gain in the face of the reality of the politics of inequality. Australia is a society foremost, not an economy investment in job creation and affordable and accessible childcare are key investments to consider...**

**Disastrous problems result if one works from an undimensional assessment, that is Australia as an economy only, not a society also. Given the vibrant debate in the USA, EU and many other parts of the world about the startling growth of inequality, surely Australia wishes to redress the imbalance. Our current fragile economic indicators ( and huge loss of jobs in manufacturing and mining) is edging us toward an unpleasant abyss. Without positive action the lower and middle classes will soon be unable to afford to consume the goods produced resulting in economic stagnation, problems with personal debt load and credit availability….potentially an implosion with dire social consequences. The Social Support System must ramp up to avoid Australia’s own version of a “Bonfire of the Vanities’.**

**Using a business model ( tender process) for delivery of “Social Services” is destructive in my view, as results are assessed purely in terms ( or at least that is the bottom line); leaving the real worth of existing programs and organizations ignored (i.e. not all relevant variables included in assessment/model applied). The result, in my experience, is that new players (lacking in accumulated intellectual capital) win out over long term successful (and usually cost effective players. A recent local example of this is the Lismore Women’s Refuge, now dismantled in favour of new service delivery agent On-Track. A huge loss for the community. Losses also include building stock and associated experienced staff (with decades of effective success and local knowledge behind them).**

**I am unconvinced that the report has adequately captivated ALL relevant variables without being sure all have been identified the ramifications of any changes cannot be adequately posited or projected. Huge unintentional and negative consequences can easily result. Relevant variables that spring to mind: trauma, abuse, accident or related congenital disabilities, stigma, poor educational opportunities, poverty (nutrition), lack of employment opportunities or retrenchment as business’ close (shift in industry as into 21st century).**

## Pillar Three: Engaging with employers

Employers play a key role in improving outcomes for people on income support by providing jobs. Reforms are needed to ensure that the social support system effectively engages with employers and has an employment focus. These reforms include making jobs available, improving pathways to employment and supporting employers.

**The social safety net catches INDIVIDUALS not data sets. One cannot assume uniformity under any given benefit category. Rather intrinsically, the data will reflect an aggregation of unique human circumstances, dilemmas, challenges, strengths, weaknesses and social network/familial structure/community character (including whether or not the person is isolated from, alienated by or engaged with it). The categories outlined may gather individuals into groups that satisfy bureaucratic expedience’s; however, they may be re-sorted into more meaningful groups with reference to OTHER relevant variables (and indeed may fall cleanly into more than one group). To simplify the system/formulate new “main threads” or categories I contend that a significant body of statistical analysis would have to be assembled using tools such as factor Analysis or even better Multidimensional Scaling. To proceed from the existing framework toward greater simplicity by invoking “generally held opinion”, “community standards” or the value systems of the review body would be to potentially entrench stereotypes and discrimination that the authors may well be unaware of skewing the results /conclusions of the work paper. This is a serious matter for the future wellbeing of Australian society ( measured upon dimensions such as economic value, physical and mental health, educational and training achievements, community health and viability, economic activity… the list is open ended as at the moment a definite list of such performance indicators ( weighted or otherwise) does not appear to exist.**

**Yes, the government payments system looks “messy” but actually reflects the richness of free democratic society ( and a multicultural one at that, inclusive of original inhabitants in most desperate need of support, encouragement, respect and valuing for the wealth of knowledge [physical and spiritual] that they hold). Paternalism is NOT the answer. Geographically removed bureaucrats and politicians CANNOT create local solutions, yet success can only be truly (and lastingly) achieved at this level. Centralisation will merely mask the true nature of the challenge and optimal outcomes. I don’t agree that work is necessarily possible for some single parents re: jobs with inappropriate hours, jobs availability for this population (employers disinclined re primary/sole responsibilities for child…sickness of child etc.), lack of family/friend support for some and child care either not available or unaffordable. To cease this type of benefit assumes too many things. Not everybody has the support network or financial resources necessary to bring up a child and work.**

## Pillar Four: Building community capacity

Vibrant communities create employment and social participation for individuals, families and groups. Investments by government, business and civil society play an important role in strengthening communities. Also, access to technology and community resilience helps communities build capacity. Building community capacity is an effective force for positive change, especially for disadvantaged communities.

**Due to time constraints I can only make superficial and general observations about this. It is however central to my professional practice and I am happy to provide a more detailed response if requested /useful to you.**

**With regard to Philanthropy, this must be negotiated on a face to face basis, on a local/community level (not centralized/Federal level). This means Federal funding of staff/consultants within geographically based organisations/support services. There are significant differences between urban, suburban and regional/remote needs and mutually beneficial arrangements. Local people know local businesses and have the advantage of potentially having existing personal relationships with potential philanthropists. They also have invaluable local knowledge of their communities (needs, inter relationships, community aspirations and leaders). The personal touch is critical to success. It would also help if the taxation legislation surrounding donations was reviewed. The European Union provides an excellent model to refer to. The Foundation for Rural and Regional Renewal has huge expertise in this field. Taxation arrangements for Community Foundations are also worth examining/reviewing – their goal is to empower the community to find its own priorities, take responsibility for its own future.**

**CAPITAL INVESTMENT NOT CURRENT EXPENDITURE**

**I offer a perspective from which to view the Social Support System. If one defines a nation’s workforce pool (both individuals in employment and those with potential to enter the workforce) as a (human and intellectual) capital asset it follows that investment is required to maintain this asset and to make provision for replacement (i.e. education and training, health). Therefore, the funds spent on payments and transfers represent in large part a capital expense, not current account expenditure. Capital represents a real value investment, rather than spend from the current account. I’d like to think all people are valued for the potential they have to contribute to their society/community.**

**To extend this analogy – just as when a business makes a decision about investing in new equipment (major), investment decisions are not only based on cost. Other relevant questions are does it do all that is required, how long will it last (re quality of product), what guarantee and service agreements apply and does it fit in the factory/office (hmm is it made in Australia). To go “cheap and nasty” is a costly decision in the long term. It is important to get the range of questions right at the beginning of the purchasing process. I hope that the new architecture likewise takes into account ALL relevant variables, not just upfront costs. Otherwise it could be a very costly edifice in the longer term**

**ACKNOWLEDGMENT**

**This response would not have been possible without the support and life-changing intervention of “Partners in Recovery” (Northern Rivers).**

**This organization indeed catches those who have previously “fallen through the cracks”. I sincerely hope that its funding is renewed in 2016, and that it survives well into the future. It works – it turns lives around, and has made it possible for me to work towards returning to consulting from home (and earning an income after 2 decades of physical (and resulting mental) disability with no hope of returning to my former professional eye).**

**My apologies for my tardiness – I have been extremely unwell over the past few months.**