

The honourable Kevin Andrews  
Minister for Social Services  
Parliament House ACT  
7/8/14

RE: **INTERIM COMMITTEE REPORT ON WELFARE REFORM TO THE MINISTER FOR  
SOCIAL SERVICES**

**INTRODUCTION**

The interim report primarily focuses on the Centrelink customers' needs issues associated with educational, training, employer and community capacity matters.

The report tends to imply that all the unemployed, disabled and mentally affected people have employment opportunity prospects, but may need some further education, training with increased motivation "incentives" to access employment. Thus, the focus is on the victims with an inductive perspective as a basis for suggesting changes and requests for specific responses in public submissions. There is no overall investigation or analysis of the possible reasons for the continuing and increasing substantial level of most disadvantaged people that are receiving a social security income payment.

It seems quite clear as the Federal Treasurer and the Minister for Social Security have publicly suggested welfare costs are "unsustainable," the interim report accepts the suggestion as a basis for a rationale to categorise only people who are "permanently" disabled with no "capacity" for employment to be eligible for the disability benefit income. People assessed as capable of any employment activity then would be eligible for a lower tiered unemployment income payment. Therefore, the committee have delivered a report document that provides for changes that would result in reducing the Federal Government's social security budget annual funding costs as the Ministers' require.

**THE NEW ERA REVOLUTION IN DEVELOPED WORLD LABOUR MARKETS**

The reality is the developed world nations are experiencing a new era revolution in labour market changes from the outcomes of industrial globalisation, computerisation, global internet technologies, digitisation and robotisation. These global revolutionary changes have dramatically effected national labour markets by significantly reducing employment vacancies for growing labour force populations, especially for the most disadvantaged ie low skilled and semi skilled people. For example, it has been estimated the Australian workforce has experienced 15-20% of underemployment over the last two decades. (reported on an ABC RN radio documentary in July, 2014). Increasing casualisation of the labour workforce has also consistently reduced full time employment vacancies.

Corporations and companies engaged in globalisation of their workforce have provided employment to the lowest paid populations, such as in China, India, Pakistan, Thailand, African countries, Brazil, South Korea and Vietnam. The latter globalisation workforce changes have dramatically reduced the employment opportunities for the most disadvantaged people in developed countries, such as Australia.

Company and corporations' CEOs associated with company boards have focused on maximising profits for the company share holders and for future company development by regularly reducing their labour force and transferring company operations to undeveloped or underdeveloped nations. For example, manufacturing, telecommunications, aircraft maintenance and legal services. On the 23/7/14 Qantas reported a further 600 positions were to be transferred to an Asian workforce. This workforce strategy has become regularly reported in the media during the last few decades and provides corporations, companies the triple benefit of reducing labour force costs, increasing profits and increasing equity market value.

Computerisation operation options available to companies and corporations have enabled their workforce populations to be regularly reduced eg administration, clerical operations. Customers are vigorously encouraged and rewarded to engage in DIY banking, EFT bill paying, DIY increasing range of shopping products and services, DIY selling an increasing range of products and services and to negotiate DIY computer call centres eg Australia Post has introduced DIY bill paying and even Centrelink promotes DIY client website operations, which have no doubt reduced staff levels, including future staff vacancies. Also, corporations, companies are increasingly changing to operating vehicles and machinery via computing centralised operational units eg mining companies can operate large mining vehicles in the north of Western Australia from Perth. It is possible in future there will be mass production of motor vehicles that are computer driven and be available to the public based on greater road safety for drivers and the public.

High schools and universities are providing certain educational subjects and courses that are student DIY courses via their computerised websites.

Computer programs available from a range of increasing websites accessible by the public and companies providing information services, employment data bases, dictionaries, encyclopaedias, road travel directions and telephone directories. These computerised websites have virtually made the mass printing of these products obsolete. No doubt the latter computerisation revolution has eliminated companies and staffing employment in the printing, publications industry.

Computer publication programs and colour printers produced for public, including company needs have enabled publications of brochures, posters, news letters, news papers, business cards and catalogue advertising. Authors are now able to produce their own novels, or any book, or magazine, which can also been made available for sale via their own websites or provided to publishers reducing publisher fee costs and staffing costs.

Media documentaries have reported computers are able to perform an increasing range of employment, including professional employee functions eg vehicle parking times and changes, facility security surveillance, doctor diagnosis and treatment plans, journalist roles, legal roles, DIY counselling and share investment trading. On the 30/7/14 Graduate Surveys Australia reported that in the last 12 months Australian university graduates achieved the lowest level of employment for over 20 years ie 71% Thus, even people with higher degree qualifications are increasingly experiencing issues accessing employment positions.

Further, corporations and companies have developed internet centralised computerised network operations that have reduced staffing significantly in journalism, television, radio and specialist information services. Customers are able to access multi media products or various services themselves via company, corporation website networks eg information, news, advertising, music, games, entertainment and various product quotes.

The mass world production sales of digital phones and i pads that include digital cameras have revolutionised the photography industry with companies, such as the Kodak company terminating and substantial staffing being reduced in media publishing companies and corporations. Journalists can produce their own photography and the public is providing photography as needed for stories to media organisations. Individuals, families and companies are able to produce their own photographs and digital videos as needed.

Robotisation machinery is increasingly being produced by corporations and companies for functions, such as cleaning, storage products operations, mass manufacturing products, carer roles for the aged/ disabled people, product delivery services and transporting, including deploying military weapons.

The five unprecedented global industrial and technological changes have increasingly reduced employment vacancies during the last few decades in Australia and around the developed world. For example, an ABC RN radio documentary participant in July 2014 estimated 15% to 20% of the Australian workforce was under employed in the last two decades. It was also mentioned youth unemployment has been consistently nearly double the rate of the total unemployment rate during the same period. These outcomes were produced while the Australian economy achieved high GDP rates.

Corporations and companies have maximised their profits by reducing employment costs employing part time, contract and casual staff when needed ie permanent staffing has been reduced dramatically. Government departments at State and Federal level have also, increasingly adopted the latter strategies to reduce employment staffing costs eg sick leave, holiday pay, and long service leave.

In May 2014 there were only 146 000 employment vacancies reported by the ABS in relation to an estimate of over 741000 people that were unemployed. Vacancies presented as "other services" were only 6100, which are most likely low skilled positions, compared with the highest vacancy positions at 19100 for "professional, science and technical services". In May 2004 there were only 123 600 vacancies reported with an estimate of 569 300 people that were unemployed. In May 1994 there were only 49 500 vacancies reported with an estimate of 866 900 people that were unemployed. On average over the last 20 years in Australia there were over 12 people unemployed for each vacancy that was available. The most disadvantaged low skilled unemployed or disabled were not, or are not capable of performing or accessing a large majority of the vacancies.

In comparing the "other services" vacancy category 20 years ago to May 2014 there has been a 53% reduction in employment positions. With respect to "manufacturing" vacancies there has been an increase of 41% in vacancies, but only an increase of 30% in "retail" vacancies. In comparison to more higher skilled vacancies 20 years ago to May 2014, there has been a 78% increase in "electrical, gas and water industries" and an 87% increase in the "construction" industries. "Professional, science and technical services" industries increased 100% in the same period.

Comparing the labour force total and total employed persons from May 1994 to May 2014 the former increased by 30% and the latter increased by 32%. Thus, there was only an extra 2% of persons from the labour force being employed over the 20 year period in real terms.

The previous broad description of the substantial corporation and company workforce operation changes and the statistics confirm the position that we are in a new era of globalisation, computerisation, digitisation, robotisation, including casualisation of the Australian labour force.

The decades of the workforce revolutionary changes has dramatically reduced low skilled and semi skilled employment vacancies, which has greatly impacted the most disadvantaged people. Governments need to acknowledge and to accept this new reality era of the most disadvantaged being unemployed and under employed. Thus, governments need to provide compassionate policies, such as a real adequate equitable living income level for the ongoing most disadvantaged workforce population. The most disadvantaged Centrelink customers are predictable victims of the new era workforce population revolution reality as stated previously and governments need to provide relevant compassionate assistance, rather than blame the victims with the use of public language such as they are "rotters", "bludgers", or "leaners", or "job snobs" with the purpose of applying oppressive social security budget cutting policies.

Government Ministers promote the need for the most disadvantaged to be employed, than on welfare income without acknowledging and accepting the ongoing reality for these people there have not been enough low skilled or semi skilled vacancies generated by companies and governments eg as presented previously, the "other services" vacancy category has reduced by 53% in 20 years and the labour force has increased by 30%, but the increase in employed persons has only increased by 2% in real terms compared with the labour force population increase.

As stated previously, the new era workforce revolution is producing far less vacancies is also, increasingly affecting higher qualified and skilled unemployed people. As politicians' sons and daughters become more unemployed in future the reality of the new era workforce population revolution may be acknowledged and accepted with the prospect of more compassionate policies for the most disadvantaged being developed and implemented.

### **EDUCATION, VOCATIONAL TRAINING AND WORK CAPACITY ASSESSMENT**

There is also a further significant issue for Australia during the last decade in relation to the increasingly inadequate school performance outcomes for the most disadvantaged students, particularly boys compared with the developed world higher education standards. It has been reported there is an estimated 30% of the national high school student population is illiterate. Universities have also reported the need to provide remedial english writing units for first year students to increase their capabilities of performing as required at university standards. Thus, primary and secondary school teaching methods need to be changed to the best evidenced based practices.

A television documentary has documented in the last few years how non government agencies have also failed their students by providing quite inadequate educational, vocational training program outcomes for low skilled and semi skilled people. The non government programs have not been able to provide anywhere near enough employment outcomes for the latter people, largely because the reality has been low skilled, semi skilled vacancies have been increasingly reduced in the last two decades. The training has also not matched real employment positions in the employment market. Greater accountability and auditing of funded organisations is needed to ensure better employment outcomes for the most disadvantaged.

Centrelink unemployed and disability, or mentally affected customers are the most disadvantaged in respect to being most likely low skilled and semi skilled in association with having the lowest education qualifications. The prospect of the mentally affected or disabled person being assessed as capable for work activity, or being more capable for employment after further education, training does not automatically result in an employment vacancy being available for every suitable person.

This will be the outcome regardless of who assesses a most disadvantaged person as being capable for work activity ie there are consistently not enough vacancies available and a basic work activity capacity is not likely to be related to any vacancy required qualifications and skills. But, Centrelink disabled customers who are defined as “work capable” will have their income payments reduced.

If the Government or Centrelink contracts professional staff to assess the unemployed disabled capacity for work activity there will be a conflict of interest against the disabled, because the Government wants to reduce social security annual spending as confirmed by the Treasurer’s and Social Security Minister’s public statements on the “unsustainable” costs of social security spending. However, the Government Treasury department has projected social security spending as a percentage of the GDP to 2050 will remain steady.

The reduced capabilities of the most disadvantaged is associated with their reduced ability to apply for and to successfully access semi skilled and higher skilled positions that are more available than the low skilled vacancies. This situation in Australia is also being experienced by the most disadvantaged workforce populations in overseas developed countries. Since 2008 the most disadvantaged in the USA, England, Ireland, France, Greece, Portugal, Spain, Italy and Germany have experienced far greater levels of unemployment and under employment than in Australia. eg youth unemployment in Greece 56%, France over 22%, Spain over 57% and the USA nearly 22% in July 2014. Youth unemployment in Australia was 13%.

### **DISCRIMINATION ISSUES, EQUITABLE LIVING INCOME NEEDS, INCENTIVES AND FINANCIAL MANAGEMENT ASSISTANCE**

In regard to some statistics on disability discrimination the former Discrimination Commissioner Graeme Ennis, stated at a Press Club presentation mid year that the Federal Government only employed 2% of its workforce that were disabled people and the private sector workforce employed 30% that were disabled people. A major government department in Western Australia disclosed to its’ employed staff that its’ human resources staff selection preferred age profile was 18 years to 35 year olds. The information was reported to the Equal Opportunity Office and the response was complaints can only be made against each advertised vacancy as provided in the legislation. The honorary Sociologist, Eva Cox has expressed in the media there are also employer cultural attitude discrimination issues that need addressing ie most employers do not like unemployed inexperienced teenagers, the unemployed over 40 years old, the ethnic unemployed, training employees, or employing the mentally affected and disabled. Employer cultural employment attitude change and incentive programs are needed. New EOC broad human resource policy legislation is also needed.

The most credible and respected professional assessment of equitable living income needs for the most disadvantaged in Australia based on the Henderson Poverty Line Incomes has been produced by the Melbourne Institute of Applied Economic and Social Research (MIAESR) unit.

Even the Business Council of Australia has publicly acknowledged the issue regarding the New Start Allowance base rate not being increased for over 20 years and supports a significant increase in the weekly payment/s eg \$50 per week. Youth Allowance has been reduced by Federal Governments during the last 10 years and now the Federal Government is aiming to reduce both income payments, including establish periods up to six months of no payments. The incomes returns to the economy.

Further, the most disadvantaged are faced with the most extreme, inequitable disincentive Centrelink legislation concerning reductions to income payments above a minor extra income allowance.

The procedure of averaging extra income over a year is tokenism, not real equitable income justice. Centrelink customer extra incomes are reduced from 50% to 60% for each dollar above the basic income allowance. Customers are required to declare the gross, untaxed income in advance that is also liable for the relevant income tax rates. Centrelink staff or the computerisation system deducts the 50% to 60% for each extra dollar of income from the gross income amount. Even the highest income group of people are only liable for a 48.5% reduction in extra income above each dollar above their \$180, 001 annual taxable income. After 3 years the extra income taxation will revert back to 47%. The Prime Minister has stated in the media the high income group may even receive a tax reduction after the 3 year period. Centrelink customers are faced with permanent deductions.

If the Federal Government Ministers are serious about consistent “incentives” for the most disadvantaged Centrelink customers to access extra income compared with the employed populations they should be subject to the same taxation table income rates, not be subject to the most extreme, inequitable and gross disincentive legislation regarding accessing extra income. It is quite irrational for anyone to justify how the most disadvantaged can have any “incentive” to access extra income from any casual employment each week with the Centrelink gross extra income payment reduction regime with the extra income to be declared in advance and the gross income is also liable for taxation deduction/s.

Comparing “incentives” with sanctions, psychological research on human behaviour has documented incentives are more effective than sanctions. The most disadvantaged Centrelink customers need a real equitable living income with incentive payments for job searching, employment applications and approved education, training programs related to real employment positions. People who genuinely fail related to incapacities need relevant assistance and those who are defined as non compliant can be left to experience natural consequences of long term low income and limited extra assistance.

Realistic equitable living income levels need to be based on MIAESR assessments. On going weekly phone, stationary, mobile phone, computer, printing, internet server provider, postage and travel costs can accumulate into substantial costs for the most disadvantaged receiving the lowest income payments in Australia. The most disadvantaged lowest income group has been greatly affected by the highest rental housing, energy, fuel, TAFE and travel costs on record in Australia during the last five years. The latter has occurred, while the unemployed base rates have not increased for over 20 years and governments have actually reduced the level of payments in the last decade. Real equitable living incomes need to be increased each 6 months based on the national total costs of living.

Financial management assistance is most likely to result in more effective outcomes for the most disadvantaged income group when it is provided on a voluntary as requested basis. If the Federal Government implements real living income payments as assessed by the MIAESR there would be far less need for financial management services. The financial management also needs to be provided as an education training group program for people to develop self financial management skills with mentor follow up assistance.

### **AUSTRALIAN SOCIAL SECURITY SPENDING COMPARED WITH OECD COUNTRIES**

With respect to Australia's social security spending compared to OECD developed countries, most OECD (12) countries spent 25% of their annual GDP on social security funding in 2013, while Australia's was only 19%. France spends the most at 33% of GDP on social security.

Australia's social security annual funding was 22% of GDP in 2009. Australia has a greater economic capacity to provide far more compassionate social security payments than most of the OECD countries.

### **CONCLUSIONS**

In conclusion, the reality of the documented new era revolution in developed labour markets is resulting in the most disadvantaged semi and low skilled unemployed and disabled people being innocent victims of the new era labour market revolution that is consistently not providing suitable and enough employment vacancies. The Interim Report has largely focussed on an inductive perspective to rearrange Centrelink payment reduced categories, with improved assistance programs and strategies for annual Government disability payments to be substantially reduced.

Promotion of the need for more effective education, training programs related to real employment position vacancies is most crucial to assist a nominal amount of the most disadvantaged to access some periods of employment. A reduction of one billion in funding for vocational training in the budget, including the unemployed to access loan funding with added interest does not provide a serious compassionate intention to really assist the unemployed or disabled. Therefore, most of the hundreds of thousands of the most disadvantaged semi and low skilled unemployed, including disabled are more likely to experience further oppressive policy changes without employment based on the Interim Report's suggestions eg only people permanently incapable of work activity will receive disability payments, unemployment payments to be tiered by age and further sanctions to apply to Centrelink customers who fail obligations. The most disadvantaged need real incentives, not oppressive incentives. Extra income needs to subject to the same income tax regime as employed people, not with added Centrelink income payment deductions at 50%-60% for each dollar.

It seems clear based on the current Government Budget proposals, the Interim Report and the Minister for Employment's proposals for work for the dole activity hours, associated with the obligations of 40 employment applications per month, the most disadvantaged Centrelink customers are being presented as scapegoats, sacrificial lambs to be slain on the alter for substantial cuts to the annual social security budget and the Government budget deficit.

Karl Marx was wrong about capitalism's means of production inevitably being taken over by the proletariat, because the most disadvantaged do not have the knowledge, work skills and life skills.

Jesus Christ was right when he said, "Since there will never cease to be some need on the earth, I therefore command you, "Open your hand to the poor and needy neighbour in your land." (Deuteronomy 15: 11 NRSV) The Government needs to provide equitable living incomes that are equitably increased and provide the specified real incentive assistance, not further oppression.

May the Government and the relevant Ministers reconsider their intent for the most disadvantaged Centrelink customers being scapegoats and sacrificial lambs to be slain for the benefit of Government priority budget cutting interests, including to benefit the advantaged.

Yours respectfully

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