

# 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.

### Simpler architecture

Page 42 to 52 of the Interim Report considers the need for a simpler architecture for the income support system. The Reference Group proposes four primary payment types and fewer supplements. The primary payment types proposed are: a Disability Support Pension for people with a permanent impairment and no capacity to work; a tiered working age payment for people with some capacity to work now or in the future, including independent young people; a child payment for dependent children and young people; and an age pension for people above the age at which they are generally expected to work.

In shaping the future directions for a simpler architecture the Reference Group would like feedback on:

- What is the preferred architecture of the payment system?
- Should people with a permanent impairment and no capacity to work receive a separate payment from other working age recipients?
- How could supplements be simplified? What should they be?
- What are the incremental steps to a new architecture?



THE SIMPLIFIED PAYMENT ARCHITECTURE OUTLINED IN THE INTERIM REPORT HAS MERIT AND THE APPROACH IS SUPPORTED. THE APPROACH STRENGTHENS THE POSITION THAT “WORK IS THE DEFAULT OPTION”. WORK IS UNQUESTIONABLY THE BEST OUTCOME FOR THE WELFARE RECIPIENTS, THE ECONOMY AND SOCIETY AND WE NEED TO CONTINUE TO FOCUS ON INCREASING WORKFORCE PARTICIPATION RATES. THE EVIDENCE IS IRREFUTABLE THAT AUSTRALIA’S PARTICIPATION RATES ARE LOW RELATIVE TO SIMILAR ECONOMIES. WHAT ARE THE DIFFERENCES BETWEEN THE INCENTIVES TO WORK AND WELFARE, AND THE CULTURE AND REGULATION OF WORK THAT LEADS TO SUCH RELATIVELY POOR PARTICIPATION RATES? MORE WORK IS NEEDED TO UNDERTAKE THESE COMPARISONS AND ANALYSE WHERE THE DIFFERENCES LIE. WE ALSO NEED TO BETTER UNDERSTAND THAT INVESTMENT IN IMPROVING PARTICIPATION BY GOVERNMENT RETURNS DIVIDENDS. ACCI’S *LEARNING TO WORK*, RELEASED IN APRIL 2014 (AND SUBMITTED ALONG WITH THIS DOCUMENT), MAKES THIS CASE FOR INVESTING IN A HOLISTIC APPROACH TO YOUNG PEOPLE. ACCI ALSO UNDERSTANDS THAT THE PANEL HAS BEEN IMPRESSED BY THE ACTUARIAL/INVESTMENT APPROACH OF NEW ZEALAND WHERE THE COSTS OF IMPROVING THE PARTICIPATION OF YOUNG PEOPLE WERE DEMONSTRATED TO BE OVERWHELMING RECOUPED BY THE SUCCESSFUL TRANSITION OF YOUNG PEOPLE FROM SCHOOL OR OTHER EDUCATION INTO WORK.

THE SINGLE BIGGEST CHALLENGE IS DEFINING WHEN SOMEONE HAS A “PERMANENT IMPAIRMENT AND NO CAPACITY TO WORK” SO AS TO BE ELIGIBLE FOR THE DISABILITY SUPPORT PENSION. FIRSTLY, IT SHOULD PROBABLY BE REPHRASED TO BE “PERMANENT IMPAIRMENT THAT LEADS TO NO FORESEEABLE CAPACITY TO WORK”, AND SHOULD INCLUDE A FAIRLY NARROW RANGE OF RECIPIENTS. PEOPLE WITH PERMANENT MENTAL ILLNESSES WHO HAVE INTERMITTENT WORK CAPACITIES, FOR EXAMPLE, SHOULD NOT BE INCLUDED BUT BE WELL CATERED FOR WITHIN THE TIERED WORKING AGE PAYMENT. IT FOLLOWS THAT “PARTIAL CAPACITY” TO WORK SHOULD NOT BE JUST DEFINED BY WORK CAPABILITY AT ANY POINT IN TIME BUT ALSO BY TIME – OVER TIME THEIR CAPACITY MAY CHANGE. THE VALUE OF THE DISABILITY SUPPORT PENSION SHOULD NOT BE FAR ABOVE THE UPPER LIMIT OF THE TIERED WORKING AGE PAYMENT SO AS TO NOT PROVIDE A SIGNIFICANT INCENTIVE TO BE CLASSIFIED FOR THE DSP. THE MAIN BENEFIT OF BEING ON THE DSP WOULD BE THAT IT WOULD REGULARISE THE INCOME AND REDUCE THE NEED FOR RE-EVALUATION.

ACCI ALSO SUPPORTS THE APPROACH TO THE TIERED WORKING PAYMENT BASED ON MUTUAL OBLIGATION.

## Fair rate structure

Page 55 to 60 of the Interim Report considers changes that could be considered to rates of payment for different groups. In shaping the future directions for a fairer rate structure the Reference Group would like feedback on:

- How should rates be set, taking into account circumstances such as age, capacity to work, single/couple status, living arrangements and/or parental responsibilities?

THE KEY AND OVERRIDING CONSIDERATION IS THE BALANCE BETWEEN AN ADEQUATE SAFETY NET AND AN AFFORDABLE AND SUSTAINABLE SYSTEM OF WELFARE. THE POPULATION IS AGEING AND THIS WILL GENERATE CONSIDERABLE FISCAL PRESSURES OVER COMING DECADES. AROUND 80 PER CENT OF AUSTRALIANS WILL BE ELIGIBLE TO RECEIVE EITHER A FULL OR PART PENSION WHEN THEY RETIRE, A FACT THAT MUST BE ADDRESSED IN DESIGNING A SUSTAINABLE SYSTEM OF RETIREMENT INCOMES. LIFE EXPECTANCY HAS INCREASED DRAMATICALLY SINCE THE AGE PENSION AND SUPERANNUATION WAS INTRODUCED YET THERE HAVE BEEN LIMITED CHANGES TO THE AGE AT WHICH ONE BECOME ELIGIBLE TO RECEIVE THE AGE PENSION OR ACCESS THEIR SUPERANNUATION. MEASURES TO INCREASE WORKFORCE PARTICIPATION AMONGST OLDER WORKERS. FOR EXAMPLE, GRADUALLY INCREASING THE AGE PENSION ELIGIBILITY AGE FROM 67 TO 70 YEARS COULD INCREASE PARTICIPATION RATES FOR PEOPLE IN THE RELEVANT AGES BY 3 TO 10 PER CENT AND YIELD ACCUMULATED SAVINGS OF AROUND \$150 BILLION IN 2011-12 PRICES OVER THE PERIOD FROM 2025-26 TO 2059-60. THE FEDERAL BUDGET IN MAY 2014 STARTED THIS CONVERSATION AND RATIONAL DEBATE BASED ON EVIDENCE SHOULD CONTINUE TO ADDRESS THE PENSION AGE AND ELIGIBILITY.

AS A GENERAL COMMENT, THE DISCUSSION ABOUT THE QUANTUM OF WELFARE IS OFTEN DRIVEN FROM POLAR OPPOSITES. THOSE SERVICING WELFARE RECIPIENTS OFTEN ONLY SEE THOSE THAT ARE STRUGGLING TO AFFORD THE NECESSITIES AND DON'T ACKNOWLEDGE THAT THERE ARE PEOPLE IN THE COMMUNITY WHO CHOOSE TO LIVE (AND LIVE WHAT SOME MAY PERCEIVE AS COMFORTABLY) ON WELFARE WHEN THEY HAVE OTHER OPTIONS. AT THE OTHER END OF THE SPECTRUM, THERE ARE THOSE IN THE COMMUNITY WHO SEE WHAT THEY PERCEIVE TO BE ABLE-BODIED PEOPLE MAKING LITTLE APPARENT ATTEMPT TO OBTAIN WORK AND SHIFT OFF WELFARE. EACH OBSERVER NEEDS TO RECOGNISE THAT BOTH TYPES OF WELFARE RECIPIENTS EXIST, WITH A CONTINUUM IN BETWEEN. THE AGE PENSION AND NEWLY DEFINED (AND NARROWER) DISABILITY SUPPORT PENSION SHOULD HAVE SOME REFERENCE TO AVERAGE LIVING COSTS, AND SHOULD BE MEANS TESTED (PARTICULARLY FOR AGED PENSION). ONE OF THE BIGGEST DIFFERENCES IN LIVING COSTS IS HOUSING – RENTAL VERSUS UNENCUMBERED OWNERSHIP AND THIS "DIFFICULT" CONVERSATION ABOUT WHETHER THIS SHOULD BE REFLECTED IN RENT SUPPLEMENT DIFFERENTIAL MAY NEED TO BE UNDERTAKEN.

### **Common approach to adjusting payments**

**Page 60 to 64** of the Interim Report considers a common approach to adjusting payments to ensure a more coherent social support system over time. In shaping the future directions for a common approach to maintaining adequacy the Reference Group would like feedback on:

- What might be the basis for a common approach to adjusting payments for changes in costs of living and community living standards?

THE CPI REMAINS THE PRIMARY MECHANISM AND MOST AFFORDABLE FOR ADJUSTING PAYMENTS.

### **Support for families with children and young people**

**Page 65 to 68** of the Interim Report considers how the payments could be changed to improve support to families with children and young people. In shaping the future directions for support for families with children and young people the Reference Group would like feedback on:

- How can we better support families with the costs of children and young people to ensure they complete their education and transition to work?
- In what circumstances should young people be able to access income support in their own right?

ACCI MAKES NO SUBSTANTIAL COMMENTS IN THIS AREA, EXCEPT TO REFER TO OUR POLICY POSITION THAT FAMILY BENEFIT PAYMENTS SHOULD BE MEANS TESTED AND SET AT LEVELS AFFORDABLE TO THE TAXPAYER.

SUPPORTING TRANSITIONS FROM SCHOOL TO WORK SHOULD BE PRIMARILY ADDRESSED THROUGH SOUND POLICY AT STATE AND FEDERAL LEVEL — OUR LEARNING TO WORK DOCUMENT PROVIDES MORE DETAIL.

### Effective rent assistance

**Page 68 to 71** of the Interim Report considers Rent Assistance and suggests a review to determine the appropriate level of assistance and the best mechanism for adjusting assistance levels over time. In shaping the future directions for Rent Assistance the Reference Group would like feedback on:

- How could Rent Assistance be better targeted to meet the needs of people in public or private rental housing?

NO COMMENT

### Rewards for work and targeting assistance to need

**Page 72 to 78** of the Interim Report considers changes to means testing for improved targeting to need and better integration of the administration of the tax and transfers systems to improve incentives to work. In shaping the future directions for rewards for work and targeting assistance to need the Reference Group would like feedback on:

- How should means testing be designed to allow an appropriate reward for work?
- At what income should income support cease?
- What would be a simpler, more consistent approach to means testing income and assets?

NO COMMENT

## 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.

### Mutual obligation

**Page 80 to 85** of the Interim Report considers more tailored and broadening of mutual obligation and the role of income management. In shaping the future directions for mutual obligation the Reference Group would like feedback on:

- How should participation requirements be better matched to individual circumstances?
- How can carers be better supported to maintain labour market attachment and access employment?
- What is the best way of ensuring that people on income support meet their obligations?
- In what circumstances should income management be applied?

ACCI SUPPORTS THE MUTUAL OBLIGATION APPROACH AND THE MAIN THRUST OF THIS SECTION OF THE INTERIM REPORT.

## Early intervention

**Page 85 to 88** of the Interim Report considers risk based analysis to target early intervention and investment and targeting policies and programmes to children at risk. In shaping the future directions for early intervention the Reference Group would like feedback on:

- How can programmes similar to the New Zealand investment model be adapted and implemented in Australia?
- How can the social support system better deliver early intervention for children at risk?

OUR *LEARNING TO WORK* DOCUMENT PROVIDES THE SUBSTANCE OF OUR SUBMISSION IN THIS AREA. EARLY INTERVENTION SHOULD PRIMARILY ADDRESS THE PROBLEMS IN THE SYSTEM THAT AFFECT A LARGE NUMBER OF YOUNG PEOPLE. INDIVIDUAL CASE MANAGEMENT CAN PLAY A ROLE, BUT IT IS A RELATIVELY EXPENSIVE APPROACH WHICH DUE TO ITS COSTS CAN ONLY FOCUS ON A FEW. THE INTENSE CASE MANAGEMENT APPROACHES FOR SCHOOL STUDENTS OR EARLY SCHOOL LEAVERS MAY BE BEST DELIVERED BY THE NFP SECTOR WITH SUPPORT FROM SOME WELL-TARGETED PROGRAMS FROM GOVERNMENT. SYSTEM WIDE ISSUES WOULD INCLUDE LITERACY/NUMERACY AND JOB READINESS; APPRENTICESHIPS; WAGE AND CONDITION REGULATION INCLUDING JUNIOR AND PENALTY RATES ETC.

## Education and Training

**Page 89 to 90** of the Interim Report considers the need for a stronger focus on foundation skills in both schools and vocational education and training, and on transitions from school to work. In shaping the future directions for education and training the Reference Group would like feedback on:

- What can be done to improve access to literacy, numeracy and job relevant training for young people at risk of unemployment?
- How can early intervention and prevention programmes more effectively improve skills for young people?
- How can a focus on 'earn or learn' for young Australians be enhanced?

MINIMUM REQUIREMENTS OF LITERACY AND NUMERACY FOR SCHOOL LEAVERS WHICH ARE SET AT LEVELS THAT REFLECT THE REQUIREMENTS OF WORK ARE URGENTLY NEEDED. SEE *LEARNING TO WORK* FOR MORE DETAILS ON THIS AND OTHER POLICIES RELEVANT TO THIS SECTION.

## Improving individual and family functioning

**Page 90 to 93** of the Interim Report considers cost effective approaches that support employment outcomes by improving family functioning and the provision of services especially to people with mental health conditions to

assist them to stabilise their lives and engage in education, work and social activities. In shaping the future directions for improving individual and family functioning, the Reference Group would like feedback on:

- How can services enhance family functioning to improve employment outcomes?
- How can services be improved to achieve employment and social participation for people with complex needs?

EMPLOYMENT SERVICES NEED TO BE MORE FOCUSED ON SERVICING THE NEEDS OF THE EMPLOYER AS WELL AS THE CLIENT. THE GOVERNMENT'S EXPOSURE DRAFT ON EMPLOYMENT SERVICES SETS THE RIGHT DIRECTION FOR IMPROVING OUTCOMES, RECOGNISING THAT WORK OUTCOMES CAN BE CASUAL AND SHORT TERM AS WELL AS LONG TERM.

### Evaluating outcomes

**Page 93** of the Interim Report considers improved monitoring and evaluation of programmes aimed at increasing individual and family capability to focus on whether outcomes are being achieved for the most disadvantaged. In shaping the future directions for evaluating outcomes the Reference Group would like feedback on:

- How can government funding of programmes developing individual and family capabilities be more effectively evaluated to determine outcomes?

*No COMMENT*

### 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.

#### Employment focus – making jobs available

**Page 95 to 100** of the Interim Report considers what initiatives result in businesses employing more disadvantaged job seekers. In shaping the future directions for making jobs available the Reference Group would like feedback on:

- How can business-led covenants be developed to generate employment for people with disability and mental health conditions?
- How can successful demand-led employment initiatives be replicated, such as those of social enterprises?

THESE QUESTION PROMPTS ARE TOO NARROW TO ADDRESS THE MECHANISMS WHEREBY MORE DISADVANTAGED JOB SEEKERS CAN FIND WORK. COVENANTS HAVE THEIR PLACE WHERE ENTHUSIASTIC LEADERSHIP TAKES THE MAIN ROLE, BUT ACCI DOES NOT SEE COVENANTS AS THE MAIN MECHANISM TO IMPROVE PARTICIPATION. IMPROVING PARTICIPATION REQUIRES A MULTI-LAYERED APPROACH FOCUSING ON THE BUSINESS NEEDS. THE INTERIM REPORT TENDS TO FOCUS ON THE SOCIAL ROLE OF THE ENTERPRISE IN INCREASING DIVERSITY. FOR SOME BUSINESSES, THIS IS AN IMPORTANT DRIVER, BUT AGAIN IS NOT THE ONLY OR EVEN THE MAIN DRIVER. REFERRING TO EARLIER COMMENTS, AUSTRALIA MUST LIFT ITS PARTICIPATION RATES IF IT WISHES TO CONTINUE TO GROW AND MAINTAIN THE PER CAPITA STANDARD OF LIVING AUSTRALIANS ARE USED TO. MANY WELL RESEARCHED REPORTS PROVIDE THIS EVIDENCE, INCLUDING ONE ONLY RELEASED IN THE LAST MONTH WHICH LOOKED AT THE 25 LARGEST ECONOMIES BY BOSTON CONSULTING GROUP. THIS CAN BE FOUND AT:

[https://www.bcgperspectives.com/content/articles/management\\_two\\_speed\\_economy\\_public\\_sector\\_global\\_workforce\\_crisis/](https://www.bcgperspectives.com/content/articles/management_two_speed_economy_public_sector_global_workforce_crisis/)

WE NEED TO TACKLE CULTURE, BEHAVIOUR, THE STRUCTURE AND SERVICE PROVIDED BY PUBLICLY FUNDED EMPLOYMENT SERVICES, AND OTHER SYSTEMIC ISSUES THAT IMPACT ON OUR LOW PARTICIPATION RATES AND POOR YOUTH TRANSITION OUTCOMES.

## Improving pathways to employment

**Page 101 to 107** of the Interim Report considers the different pathways to employment for disadvantaged job seekers such as vocational education and training and mental health support models. In shaping the future directions for improving pathways to employment the Reference Group would like feedback on:

- How can transition pathways for disadvantaged job seekers, including young people, be enhanced?
- How can vocational education and training into real jobs be better targeted?
- How can approaches like Individual Placement and Support that combine vocational rehabilitation and personal support for people with mental health conditions be adapted and expanded?

*SEE LEARNING TO WORK*

## Supporting employers

**Page 108 to 110** of the Interim Report considers what can be done to support employers employ more people that are on income support including better job matching, wage subsidies and less red tape. In shaping the future directions for supporting employers the Reference Group would like feedback on:

- How can an employment focus be embedded across all employment and support services?
- How can the job services system be improved to enhance job matching and effective assessment of income support recipients?
- How can the administrative burden on employers and job service providers be reduced?



THERE ARE MANY STRATEGIES THAT CAN ADDRESS THIS, SOME OF WHICH ARE OUTLINED IN THE EMPLOYMENT SERVICES SECTION OF ACCI'S *EMPLOY OUTSIDE THE BOX* (PREVIOUSLY SUBMITTED AND REFERRED TO IN THE INTERIM REPORT) AND *LEARNING TO WORK*. INVOLVING EMPLOYERS IN THE WELFARE DISCUSSION SHOULD NOT BE AN AFTERTHOUGHT BUT A NATURAL PATHWAY. AS AN EXAMPLE, IN AUGUST 2014 A STAKEHOLDER IN THE WELFARE SECTOR IS RUNNING A TWO DAY CONFERENCE ON LONG TERM UNEMPLOYMENT. THERE ARE MANY STAKEHOLDERS RELATING TO UNEMPLOYMENT SPEAKING, BUT NO EMPLOYERS, NOR A DISCUSSION ABOUT THE ECONOMY, LABOUR MARKET ANALYSIS (INCLUDING JOB PROSPECTS) AND WHAT THE FUTURE HOLDS FOR JOBS AND GROWTH. THE WELFARE AND SUPPORT SECTOR NEED A MUCH STRONGER UNDERSTANDING OF THE ECONOMICS OF JOB CREATION, AND A MUCH CLEARER UNDERSTANDING OF THE NEEDS OF EMPLOYERS. THE WORLD OF WORK IS CHANGING AND THOSE SERVICING JOB SEEKERS ARE NOT NECESSARILY STAYING UP TO DATE.

THE RED TAPE BURDEN HAS BEEN ADDRESSED THROUGH THE REVISED ARRANGEMENTS PROPOSED IN THE EXPOSURE DRAFT, AND ARE SUPPORTED BY ACCI. ACCI CONTINUES TO OPPOSE DISABILITY EMPLOYMENT BEING SERVICED BY ANOTHER DEPARTMENT AS IT WORKS AGAINST A SIMPLE, UNDERSTANDABLE POINT OF CONTACT FOR EMPLOYERS. WE UNDERSTAND THAT THE RECENT TENDER FOR DES REFLECTS THE STANDARD OR PREVIOUS APPROACH (INCLUDING A FOCUS ON 26 AND 52 WEEK OUTCOMES) AS OPPOSED TO THE MORE FLEXIBLE, RESPONSIVE AND REAL OUTCOMES OF THE EXPOSURE DRAFT THAT RECOGNISE THE VALUE OF EVEN SHORT TERM, CASUAL WORK. WORK LEADS TO MORE WORK, AND MORE PEOPLE WORKING CREATES JOBS THROUGH INCREASED SPENDING POWER.

## **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.

### **Role of civil society**

Page 112 to 116 of the Interim Report considers the role of civil society in building community capacity. In shaping the future directions for the role of civil society the Reference Group would like feedback on:

- How can the expertise and resources of corporates and philanthropic investors drive innovative solutions for disadvantaged communities?
- How can the Community Business Partnership be leveraged to increase the rate of philanthropic giving of individuals and corporates?
- How can disadvantaged job seekers be encouraged to participate in their community to improve their employment outcomes?

NO SPECIFIC ADDITIONAL COMMENTS OTHER THAN WHAT HAS BEEN REFERRED TO IN EMPLOYER ENGAGEMENT AND WORK FOR THE DOLE.

### **Role of government**

Page 116 to 120 of the Interim Report considers the role of government in building community capacity. In shaping the future directions for the role of government the Reference Group would like feedback on:

- How can community capacity building initiatives be evaluated to ensure they achieve desired outcomes?

- How can the income management model be developed to build community capacity?

*No COMMENT*

### **Role of local business**

**Page 121 to 123** of the Interim Report considers the role of local business in building community capacity. In shaping the future directions for the role of local business the Reference Group would like feedback on:

- How can communities generate opportunities for micro business to drive employment outcomes?
- How can mutuals and co-operatives assist in improving the outcomes for disadvantaged communities?

ACCI SUPPORTS THE ROLE OF ENTREPRENEURSHIP AND SMALL BUSINESS IN CREATING JOBS, INCLUDING THOSE WITHOUT JOBS SETTING UP THEIR OWN BUSINESSES WITH PROPER SUPPORT AND INFORMATION.

### **Access to technology**

**Page 124 to 125** of the Interim Report considers access to affordable technology and its role in building community capacity. In shaping the future directions for access to technology the Reference Group would like feedback on:

- How can disadvantaged job seekers' access to information and communication technology be improved?

*No COMMENT*

## Community Resilience

Page 125 to 126 of the Interim Report considers how community resilience can play a role in helping disadvantaged communities. In shaping the future directions for community resilience the Reference Group would like feedback on:

- What strategies help build community resilience, particularly in disadvantaged communities?
- How can innovative community models create incentives for self-sufficiency and employment?

*NO COMMENT.*

