

Tuesday 22 November 2005

RE: Employment and Workplace Relations Legislation Amendment Bill 2005

The Smith Family has been focusing its program development initiatives to assist disadvantaged Australians in acquiring skills to participate in a 21st c knowledge economy. Hence, our Submission reflected an overarching education / lifelong learning strategy for prevention against intergenerational disadvantage. To this end we raised long-term, medium term and immediate considerations that we believe need to be incorporated into the Employment and Workplace Relations Legislation Amendment Bill 2005 for it to achieve its stated purpose.

Our long-term consideration highlighted the importance of opportunities for quality education and lifelong learning as a preventive approach in reducing welfare dependency

Recent research by the Australian Government Productivity Commission and our own research has shown that better educated people generally have higher rates of workforce participation (Australian Government Productivity Commission (2005), pXIX). In this respect, we welcomed the proposed investment of over \$2 billion in new and expanded services such as the Employment Preparation and Pre-Vocational Participation Account initiatives. However, there remain a number of issues of concern, namely:

- The adequacy of these initiatives, which the Treasurer himself describes as 'limited short interventions' (Welfare to Work Package Press release 10 May 2005).
- The capacity for individuals returning to the workforce without formal education qualifications to compete for employment other than low-skilled, low-waged and insecure posts. (The Australian Women's Coalition, 2005)
- The likelihood that low-skilled placements, usually undertaken by individuals who have no high-school qualifications, will in many instances be unproductive and even detrimental to their long-term employment success and earnings. (Autour & Houseman, 2005)
- The probability that many individuals in regional and rural Australia affected by the proposed welfare reforms, especially single parents (Marshall et al, 2003), would find it difficult to secure the work hours necessary to fulfil the activity test.

Therefore, strategic investment in social support would be more effective in the long run by a more comprehensive reorientation to channel resources into parental education, early childhood intervention, high school retention rates and improving access to tertiary education. Evidence suggests that society, community, families and individuals will all receive greater benefit from a proactive, preventive and education, solution-focused social support system. The evidence also suggests that such a longer-term reorientation will significantly decrease the amount of money the nation spends on income support.

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Our medium term consideration highlighted the importance of ensuring an appropriate work / family balance

Parents significantly shape their children's development and thus they influence the life outcomes of children. Our concern is that low income, low-skilled parents are more likely to take on jobs with long or unusual hours than those with stronger qualifications, and that this may result in children missing out on parental help for homework, family holidays and more broadly, parental support during key transition stages in their lives.

The Bill makes little reference to the potential impact of its reforms on family life, perhaps assuming that the supposedly increased monetary benefits of employment more than compensate for this. In fact, studies have shown that the majority of young people in Australia want more time with their parents rather than more money through more parental work. This is true of boys and girls from a dual earner and single earner couple households as well as single parent earner households. (Pocock & Clark, 2004)

Therefore, while The Smith Family welcomes the additional funding tabled to increase the number of child care places, and the recent news that single parents will not have to accept jobs that do not pay enough to cover the costs of child care, we remain concerned that there is not more explicit recognition of, or protection for, the critical importance of family time within the Bill.

Our short-term concern is how the financial implications of the Bill might impact on single parent families

This concern reflects the fact that a large majority of families who are on The Smith Family's Learning for Life Program are single parent families.

Since the provisions of the Bill were formally announced, a number of reports have been released examining the potential financial consequences for welfare recipients of the changes, notably the shift from Parenting Payments to the enhanced Newstart scheme. The Smith Family, which has conducted extensive research into the financial needs and circumstances of disadvantaged Australians, is particularly concerned at the following findings:

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everyone's family

- Newstart is not designed to assist people combine paid work with income support and is more restrictive when compared with the current pension type payment for sole parents. (NATSEM, 2005)
- After 1 July 2006, sole parent families who go onto the Newstart payment rather than Parenting Payment Single (PPS) will receive a sizeable cut in benefits whether or not they are totally reliant on income support or have some income from part-time work. (NATSEM, 2005)
- Even parents who qualify for temporary exemption from the 15 hours per week minimum participation requirement, will still be placed on Newstart Allowance rather than PPS or the Disability Support Pension (DSP). Thus, if they have no private income, they will still be at least \$29 a week worse off in 2006-07 relative to remaining on pension – even for long periods of 'temporary exemption'.
- The gap between Parenting Payment Single and Newstart Allowance is likely to increase in future years, as the PPS is indexed to movement in average weekly earnings, while the Newstart Allowance is indexed to the (generally lower) Consumer Price Index.

The Smith Family is concerned that the overall effect of these income test and tax changes, in contrast to the intention of the Bill, will reduce the attractiveness of paid work to sole parents, and the amount of income that they have available to support themselves and their children after they undertake paid work.

There are over half a million households in Australia comprising a lone parent with dependent children, who received the lowest average equivalised disposable household income (\$329) for any type of household in 2000-2001". (Healey, 2005)

It is therefore of significant concern that these and other groups may find themselves further disadvantaged by the reforms outlined in the Bill if passed without further amendment.

Conclusion

While The Smith Family welcomes the Government's efforts to create a more flexible and confident workforce through the introduction of the Bill, there remain key components that need further discussion and potential redefinition if the best possible outcomes for disadvantaged Australians are to be achieved. In particular, we encourage promotion of a more preventive approach to avoiding welfare dependency through early intervention / education-oriented legislation and provisions that protect and respect the proven contribution of the time families spend together outside work. It is in the spirit of working together with government, non-governmental organizations and all members of the community that The Smith Family has presented its submission to the Senate Committee for Community Affairs.