



## **Submission from**

The Australian Association of Social Workers

# **Senate Education, Employment and Workplace Relations References Committee Inquiry**

August 2012

**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**

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## Introduction

The Australian Association of Social Workers (AASW) welcomes this opportunity to make a submission to the Senate Education, Employment and Workplace Relations References Committee Inquiry into 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.*

This submission represents the AASW's professional aims of raising awareness of structural inequities, promoting policies and practices that achieve a fair allocation of social resources and acting to bring about social change to reduce social barriers, inequality and injustice.<sup>1, 2</sup>

The AASW is the only national organisation for social workers in Australia, with over 7,000 members. AASW members currently work in a broad range of fields including child protection, child and family welfare and wellbeing, family support, health, mental health and community development. Social work roles encompass project and agency management, casework, community work, group work, policy development, early intervention, research and training. The social work profession is committed to maximising the well being of individuals, families and diverse social communities, which emphasise principles of social development, social justice and social inclusion to enhance human dignity. This commitment is demonstrated through service to humanity, integrity and competence, which characterises professional social work practice.

The AASW supports the principles and aspirations of the United Nations Universal Declaration of Human Rights<sup>3</sup> and other international conventions derived from that Declaration. This includes the right to just and favourable conditions of work and to protection against unemployment supplemented, if necessary, by other means of social protection policy and based on effective-integrated planning and community development.

**Accordingly the Senate is urged to promote an integrated system of income security and allowances that facilitate humanity, integrity and comprehensive social support to persons facing economic and social hardship. This would enable individuals to maintain their capacity for independent living and acquire an acceptance of social responsibility within an integrated social security system that does not discriminate between causes of social inequity.**

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<sup>1</sup> AASW Code of Ethics 2010, S1.1-S1.2

<sup>2</sup> AASW Practice Standards 2003, S3.5, S3.10, S4.2-4.3, S4.8

<sup>3</sup> Article 23 of UN 1948 The Universal Declaration of Human Rights

## Representation for our Clients

The current income security and allowances system is highly categorised and discriminates between persons seeking support. This creates the impression that denial of benefit and social control are higher objectives than protection against poverty or the maintenance of social inclusion. The impact on social work clients is a loss of self-esteem, and incentive to make the most of their potential. This in turn creates pools of social disadvantage that do not contribute to the social development of the nation.

The AASW notes that other non-government organisations<sup>4</sup> have made representations for an increase in Allowance Payments Newstart Allowance (NSA) and Youth Allowance (YA) for independent young people for single people *by \$50pw*, as proposed in the Henry Tax Report. Currently single NSA recipients live on \$35 a day<sup>5</sup>, \$135pw less than pensioners and they do not receive the additional \$10pw Utilities Allowance paid to pensioners.

**The AASW supports measures that will alleviate financial hardship by increasing payments by \$50pw and, in addition, calls upon the Senate to take a comprehensive and radical approach that more closely relates to the UN Declaration of Human Rights. Such an approach would facilitate a greater parity between payments to further reduce the differences that have occurred between allowances and pensions over the last decade.**

## Social Disadvantage

AASW members are in daily contact with clients and their families that are adversely affected by low income, low self-esteem and discrimination. These effects occur as a result of adjustments that flow from the application of Consumer Price Index (CPI) to allowances and Average Weekly Earnings (AWE) to other forms of income security.<sup>5</sup> It is often stated that allowances are adjusted for changes in the “cost-of-living” but the lived reality is one of falling behind even the low level of income that is provided to pensioners.

Social Workers find that cost-of-living pressures are felt much more by households with low incomes, which spend a greater proportion of their income on basics. This means that the differential adjustments constitute a systematic source of social disadvantage between allowances and pensions.

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<sup>4</sup> ACOSS 2012

<sup>5</sup> Whiteford 2012

## Sources of this Disadvantage

The Australian Bureau of Statistics regularly adjusts its weightings to attempt to ensure that the CPI reflects average household expenditure and its most recent adjustment was in 2011. Across 87 different expenditure classes, excluding groups and sub-groups, only 16 have grown faster than AWE since 2006. AWE have grown consistently well ahead of CPI over the past decade in all but one year-2008, when inflation spiked just before the GFC hit.

According to ABS weightings, 76% of expenditure groups have grown at a slower rate than the AWE used for adjustment of pensions but not the allowances made available to the lowest income households. For example, electricity and water have annually increased on average 10% and 10.2% since 2006. This is further compounded by the inclusion of high-end items that have fallen faster than AWE such as audio-visual equipment and computers that make up a fifth of the index but are not likely to be regular items of the household budget of those on allowances.

It is noted that the expenditure classes that have risen faster than the CPI and have higher impact upon low-income households are usually under government control, and mostly state government control. Electricity has been privatised in Victoria and South Australia but it's state-owned in NSW and Queensland and water remains state-owned everywhere. Education and health costs are wholly or partly under government control. Property rates and charges (5.6% annual growth) are controlled by local government.

The lived experience of AASW members' clients is further exacerbated by the fact that federal and state governments support for those most in need have been constrained by concerns about budgets and deficits. The Productivity Commission has found that governments tend to fund only 70% of the costs of the services that community organisations are contracted to provide.

Government contracts have grossly undervalued real costs-of-living for low-income households and so have driven a decline in funding in real terms, even as demand for services in many areas has increased. Inadequate funding has led to workforce challenges in attracting and retaining qualified, experienced community workers to deliver effective services.

A further and increasing source of disadvantage arises from assumptions that allowances are a source of temporary or transitional income support, for a temporary or transition situation, until employment is gained within the wider workforce. This neither takes into account significant differences in employment opportunities across 55 regions across the nation nor the increasing demand for skilled labour rather than inexperienced or disadvantaged workers.<sup>6</sup>

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<sup>6</sup> Bessant 2010

In practice, the majority of recipients of unemployment payments are unemployed long-term (over 12 months) and it is increasingly difficult for them to secure employment.<sup>7</sup> This suggests that the failure to retain equity between allowances and pensions appears to be a result of budget savings rather than income security.

## **AASW Response to Terms of Reference**

*(a) the adequacy of the allowance payment system for jobseekers and others, with particular reference to the adequacy of the Newstart Allowance payment as an income support payment for jobseekers and the adequacy of all other allowance payments that support a range of recipients who study or provide care;*

The AASW believes that assessment of the adequacy of allowance payments cannot be determined in absolute terms, but rather must be considered in the context of the nature of client's options to gain access to education and employment in order to maintain an independent lifestyle.

It is accepted that a basic standard of living is one that goes beyond the survival items of food, shelter and clothing. It provides an opportunity for quality of life with other essentials of life such as healthcare, personal safety, access to facilities and services, social inclusion, holidays, recreational pursuits, entertainment and social outings.

The adequacy of the Newstart allowance should consider variations in individual recipients' circumstances to make the income security system more responsive and comprehensive to client needs. For instance, one in six people on Newstart allowance have been assessed as only able to work part time due to a disability including a mental disability. Two out of every five have less than Year 12 education and one in twelve are sole parents requiring family friendly hours and affordable child care services (to enable them to pursue employment).

The official unemployment rate is presented as 5.2%, assuming that clients have found an hour's paid work in the previous week. However, ABS statistics indicate that 12.6 per cent of Australians who want a job don't have one. Roy Morgan Research suggests that job seekers vastly outnumber the official unemployed with more than 2 million people on the edges of the labour market.

Under previous governments there was less than a ten percent difference between the unemployment and special benefit provisions and the level of the aged pension. Now Newstart has fallen \$130 below the poverty line (\$244.85 per week) and is only 65% of the Aged Pension.

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<sup>7</sup> ABS 2011

Restoration of the previous relative parity with pensions represents a minimum step towards a standard of adequacy that reflects concerns with social justice and social inclusion.

**The Government's objective should be the provision of a guaranteed minimum income<sup>8</sup> and an assured opportunity to contribute to the community through employment, community engagement or family social development. The adequacy of the allowance payments for jobseekers and other allowance payments that support recipients who do not have access to fair wage and/or salary provisions should be determined as a proportion of AWE rather than the more artificial assessment of CPI and unrealistic definitions of employment.**

*(b) The appropriateness of the allowance payment system as a support into work, with particular reference to:*

- (i) The effectiveness of the payment as an incentive into work,*
- (ii) the effectiveness of the allowance payment system in facilitating transitions between working and other activities, such as studying, caring and retirement, or in the event of illness or disability, and in helping or hindering recipients to overcome barriers to employment, and*
- (iii) the impact of the differences between pensions and allowances on the transition between working and other activities;*

The AASW believes that it is necessary to separate the consideration of the adequacy of allowance payments as a form of guaranteed minimum income and relief of poverty<sup>8</sup> from employment related processes and incentives to work, study or care for others. While it is appropriate to consider the impact of various forms of income supplement and support for those that are outside of the labour force for any reason, the fundamental rationale of social protection and income security should remain the central priority for government action.

In-work credits to supplement low incomes and out-of-work allowances to encourage study, workforce participation and sustainable independent living should be seen as labour market programs rather than as an element of an integrated income security system.

Efforts to increase workforce participation and provide incentives to work need to relate to the level of economic activity and unemployment without placing destructive pressures on those that have not been successful in gaining employment.

The official unemployment rate shows an increase to 5.2% with marked variations between the mining states and those that have not directly benefited from the mining boom. Roy Morgan Research shows that although employment has increased 146,000 since July 2011,

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<sup>8</sup> Frazer & Marlier 2009

<sup>8</sup> Frazer & Marlier 2009

the large increase in the workforce (up 432,000) means the unemployment rate has increased 2.1% to 9.7%.

**Given rising levels of unemployment and underemployment, it is both inappropriate and ineffective to attempt to use allowance payments as a form of penalty for failure to gain a place in the workforce. Roy Morgan Research shows that 2.113 million Australians were unemployed or underemployed in July 2012. This is up a significant 370,000 over the past 12 months since July 2011.**

*(c) The impact of the, particularly the rise of insecure work and decline of unskilled jobs, on the:*

*(i) nature and frequency of individual interaction with the allowance payment system, and*

*(ii) over and underpayment of allowances to recipients*

The AASW believes that recent Budget decisions exacerbate the disadvantages faced by clients who are on allowances as compared to clients on a pension (Aged, Carer's or Disability Support) on the basis of the clearly false assumption that the former have labour market opportunities that are not available to the latter cohort.

Social protection measures should provide a guaranteed minimum income<sup>8</sup> that provides income security that does not penalise those left behind by a bias towards younger, better educated and more mobile workers across the nation. The costs of transitions from sectors of the economy that have unmet demands for high skilled labour should not legitimise inadequate allowances for those less able to move, gain necessary skills or overcome disadvantaged work experiences to meet changing labour market conditions.

A single person (no children) on Newstart Allowance (paid to the unemployed) currently receives \$244.85 per week of income support payment, while a person on a Pension (Aged or Disability Support) receives \$347.65 per week, plus up to \$30.10 per week in the Pension Supplement.<sup>9</sup> That difference will now be extended, as Newstart recipients are entitled to \$218 per year in carbon tax compensation, while Pensioners get \$338.

This differential cannot be justified on the basis of variations in regional labour market conditions unless there are adequate income supplements and funds for skills upgrades that demonstrably make acceptance of allowances a voluntary matter rather than a measure of workforce disadvantage.

In an economy that is increasingly concerned more about increasing productivity rather than social development, social justice and social inclusion, a key aspect of labour market changes has been pressures for upskilling of the workforce as employers shift their demand

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<sup>8</sup> Frazer & Marlier 2009

<sup>9</sup> Department of Human Services



requirements to employ more workers possessing higher educational qualifications and with higher skill levels.

**The nature and frequency of individual interaction with the allowance payment system should be based upon the needs of the beneficiary and the measures required to promote personal and social wellbeing. This requires a shift in the values and approaches by staff towards applicants receiving income security allowances. So that interactions are focused on enhancing self-esteem and encouraging life skill competence instead of demeaning interactions, which are based on assumptions that the disadvantaged status of applicants is voluntary and within their control.<sup>6</sup>**

### **Recommendations: The AASW recommends that:**

1. The Senate Committee increase allowances to the same level as pensions as an initial measure to promote an integrated system of income security. Allowances that facilitate humanity, integrity and comprehensive social support are to be provided to persons facing economic and social hardship | ensuring greater capacity for independent living and acceptance of social responsibility via a social security system that does not discriminate between causes of social inequity.
2. The Commonwealth Government refers the issues of adequacy and economic efficiency of a universal income security and allowances system to the Australian Productivity Commission-establishing a universal health, education and employment supplement<sup>10</sup> system that provides a guaranteed minimum income independent of fluctuations in levels of unemployment and underemployment in a growing economy.
3. The Commonwealth Government assumes responsibility for the removal of all forms of discrimination between beneficiaries of income security for disadvantaged citizens and establishes a form of guaranteed minimum income that ensures that no Australian lives in poverty through a no-fault special benefits and allowances system.
4. The involvement of all stakeholders in the development of specialist framework and training that facilitates labour market entry, on-the-job training, vocational education and return-to-work provisions. This will enable the nation to make full employment the natural platform for household income security without attribution of stigma or blame to those unable to maintain regular employment.
5. The determination of adequacy of income security provisions associated with such a guaranteed minimum income system should be undertaken by Fair Work Australia.<sup>11</sup> The

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<sup>6</sup> Bessant 2000

<sup>10</sup> Samson, van Niekerk & MacQuene 2006

<sup>11</sup> Fair Work Australia

initial establishment of the Harvester Award in 1907 will be used as basis for determining the adequacy of income security payment levels in respect of a basic wage structure for the nation, at the same time as consideration to minimum wage levels for those already in the workforce.

6. The Department of Human Services undertakes a review of the values and training standards of all personnel engaged in individual interactions with the allowance recipient. A culture that encourages and supports individuals will: enhance rather than damage the self-esteem of recipients and increase the willingness of potential employers to take on those who have limited work experience and/or low qualifications.

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