Catholic Social Services
Australia

Catholic Social Services Australia

Adequate income support for jobless Australians

Submission to Senate Standing Committee on 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.

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Contact: Paul O'Callaghan
Executive Director

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Summary

Australia's income support system was created to alleviate poverty. However, recent governments have made little effort to define or measure poverty or to set benchmarks for adequacy.

Since 2008 Catholic Social Services Australia has called for an independent commission to set benchmarks for adequacy based on explicit normative assumptions and empirical research into the cost of living.

Income support payments for unemployed Australians have fallen significantly behind pensions and minimum full-time wages. Australian Bureau of Statistics (ABS) data show that recipients of unemployment and study payments are more likely than those on pensions to experience multiple indicators of financial stress. Along with single parents, this evidence shows that unemployed Australians who depend on income support are most likely to experience financial hardship. At the same time, the Organisation for Economic Co-operation and Development (OECD) has been critical of the level of Newstart allowance in relation to the capacity for jobseekers to pursuing the job search function.

The need to preserve work incentives is often cited as a reason for keeping income support payments at inadequate levels. However, the gap between income support and wages has been widening over recent years. And the issue of incentives can be addressed through measures such as activity testing.

After two decades of near continuous economic growth, many Australians have forgotten what it is like to lose a job and not be able to find another. They think of long-term unemployment as something that only affects people who are incompetent or not serious about finding work.

It is easy to forget the principles on which political leaders created Australia's income support system. During the 1940s, politicians from all parties responded to the degrading experiences for many Australians during the Depression. They fully understood the impact on individuals and families of a loss of dignity and hope associated with seeking support from a system that often assumed unemployed workers were lazy, dishonest and incompetent.

Established in the wake of the Great Depression and World War II, the unemployment benefits system was designed to ensure dignity and to alleviate poverty. In this way, it aimed to overcome the flaws of an earlier system that relied on a patchwork of charity, relief work and food vouchers.

Australia is a more prosperous country than it has ever been. Yet, the principles on which our unemployment benefits system operates is reverting to the kind of practices that made unemployment such a humiliating experience before the creation of the social security system.

Recommendations

Recommendation 1. That the Australian Government establish a clear definition of adequacy for the income support system.

Recommendation 2. That the Australian Government establish an independent commission to set benchmarks of adequacy.

1. Introduction

> ***Adequate, adj.*** Fully satisfying what is required; quite sufficient, suitable, or acceptable in quality or quantity.[1]

What does it mean to ask if the allowance payment system for jobseekers and others is adequate? To answer the question we need to understand what the payment system is for. We need to decide what we require it to do.

Australia's income support system was created to alleviate poverty. There is no ambiguity about this. In 1941 the Menzies government set up a joint parliamentary committee on social security. Its first report begins with the words "*A Plan Against Poverty".*[2]

The recent Henry Review of taxes and transfers confirmed the objective stating that the primary focus of Australia's income support system as a whole "is poverty alleviation through the provision of a minimum adequate standard of living to people unable to support themselves through work, savings or other means."[3]

When it comes to unemployment payments, recent governments have made no effort to set benchmarks for poverty or a minimum adequate standard of living. And as the UK government's Audit Commission notes: "If an organisation does not measure what it values, it will end up valuing what can be measured."[4]

One thing that can be easily measured is the cost of income support payments. Governing is about making trade-offs. By not setting benchmarks of adequacy and measuring performance against them, recent Australian governments have shown that income support adequacy is not a priority.

In 2008 Catholic Social Services Australia proposed establishing an independent commission to set benchmarks of adequacy for income support payments. The commission would sit at arm's length from government. Its terms of reference would be public and the reasons for its recommendations transparent. Decisions about spending would remain with government.[5]

Earlier this year the Prime Minister spoke about spreading the benefits of the mining boom. This raises an important question: If Australia cannot afford to raise income support payments to a minimal level of adequacy during a boom, when can it afford to?

This submission focuses solely on the question of adequacy of the allowance payment system under part (a) of the Committee's Terms of Reference.

2. Background

Catholic Social Services Australia

Catholic Social Services Australia (CSSA) is the national peak organisation for Catholic social service agencies in Australia. It is a policy, advocacy and network support organisation for 67 members throughout Australia. Those agencies employ about 11,000 staff, benefit from the contribution of over 4,000 volunteers, and deliver over $600 million worth of social services per annum. CSSA also advises Australia's Catholic Bishops on social service issues as required.

CSSA's vision is for a fairer, more inclusive Australian society that reflects and supports the dignity, equality and participation of all people.

Ideally paid work would be the *primary* means of support for most working age families. According to the Catholic Church's social teaching, work is not just a way to secure a living but also a way for people to develop as human beings and achieve fulfillment.[6]

But for those who are capable of paid work but are unable to obtain it, adequate income support is an essential part of the social security system. As Pope John Paul II said in his 1981 encyclical on human work:

> The obligation to provide unemployment benefits, that is to say, the duty to make suitable grants indispensable for the subsistence of unemployed workers and their families, is a duty springing from the fundamental principle of the moral order in this sphere, namely the principle of the common use of goods or, to put it in another and still simpler way, the right to life and subsistence.

The word 'right' is important here. Unemployment payments are not a charitable gift. They are not something that puts unemployed people in debt to the rest of the community or that gives political leaders and administrators an excuse to treat people as non-citizens.

When Australians find themselves unemployed, they should be entitled to adequate levels of income support and should be able to seek support as equals without giving up their dignity.

Origins of Australia's unemployment allowance system

There has been vigorous debate about assistance to people who are unemployed and about poverty alleviation throughout the last two centuries.

Back in the 19th century reformist thinkers such as Alexis de Tocqueville made the assumption that people seeking support were lazy and that by providing adequate support in a way that allowed recipients to keep their dignity would only make the problem worse. This argument is more than a historical curiosity. It continues to resurface in the work of influential thinkers today.

By the early 20th century social thinkers increasingly saw unemployment as an economic problem rather than a problem of individual character. Australia entered the Great Depression without a national scheme of unemployment insurance or social assistance. In most places the safety net was a patchwork of charity, relief work and food vouchers.

It was the Depression that changed people's attitudes to unemployed people and in 1941 the Menzies Government set up a parliamentary committee on social security which debated the merits of a government funded unemployment scheme and an insurance scheme where workers made contributions. In the end, it was the government funded scheme that was introduced by the then Labor Government. The second interim report from that Committee reinforced the view that unemployment was something that potentially faced every worker and that often unemployment was the result of events beyond an individual's control:

"….unemployment is not generally the fault of the individual; that the most skilled and thrifty worker is exposed to the risk of it for reasons beyond his control".[7]

A short account of the early origins of Australia's system of support for the unemployed is provided at Appendix 1.

3. What are unemployment payments for?

Australia's unemployment allowance system was created to alleviate poverty. As the Henry Review of taxes and transfers noted, the primary focus of Australia's income support system as a whole "is poverty alleviation through the provision of a minimum adequate standard of living to people unable to support themselves through work, savings or other means."[8]

The income support system is Australia's second line of defence against poverty. The primary defence is maintaining a strong economy that provides job opportunities for as many Australians as possible. Economic management is supported by policies and programs that invest in people's skills and abilities. But when these policies fail, it is the income support system's job to protect Australians against poverty.

What is poverty?

Poverty in a rich country like Australia is different to poverty in the third world. Poor Australians have access to many things only the rich and middle classes have in other countries. But this does not mean that poverty is entirely relative or just a matter of inequality.

There is "an irreducible absolutist core in the idea of poverty", according to economist Amartya Sen. A person is not poor just because they can only afford to buy one BMW while everyone else in the community can afford to buy two a day.[9]

However this absolutist core does not mean community standards do not matter. This is because, for Sen, poverty is not fundamentally about income but about the kind of life an individual is able to live. People use money to buy things that improve their wellbeing. And the link between goods and wellbeing varies from place to place and time to time.

Sen argued that to avoid poverty a person not only needs the ability to protect themselves against starvation and exposure but also to take part in the life of the community and appear in public without shame.

The classical liberal economist Adam Smith illustrated the link between poverty, consumption and shame in the *Wealth of Nations*:

> By necessaries I understand, not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without. A linen shirt, for example, is, strictly speaking, not a necessary of life.
>
> The Greeks and Romans lived, I suppose, very comfortably, though they had no linen. But in the present times, through the greater part of Europe, a creditable day–labourer would be ashamed to appear in publick without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty, which, it is presumed, no body can well fall into without extreme bad conduct.[10]

As Sen points out, avoiding shame is not something relative. It is not about feeling *less* ashamed than others.

Sen's concerns are part of what CSSA means by a more inclusive Australian society that reflects and supports the dignity, equality and participation of all people

4. What does adequate mean?

Recent Australian governments have been reluctant to spell out what they mean by 'adequate' or set benchmarks of adequacy for activity tested payments like Newstart. Unless adequacy is defined and measured, governments will trade it off against more easily measured objectives such as affordability.[11]

Adequate for what?

Sen argues that poverty is the lack of the capability to live a minimally decent life. Linking the idea of poverty to the ancient Greek philosopher Aristotle's idea of human development he writes: "an impoverished life is one without the freedom to undertake important activities that a person has reason to choose". [12]

For a person to avoid poverty, they need to be able to:

- ***Acquire and maintain basic skills:*** Participation in society increasingly depends on basic skills such as literacy and numeracy.
- ***Participate in the community:*** For most working age people, participating in the community will mean searching for work. To have a reasonable chance of finding paid work a person needs resources such as transport, a telephone, appropriate clothing and grooming products (eg razor blades, deodorant, shampoo).
- ***Maintain health:*** This includes such things as access to nutritious food, safe, secure housing, and health and dental care. Health includes physical, mental and oral health.
- ***Maintain a reasonable level of comfort:*** This includes access to warm clothing, home heating and cooling and treatment for chronic health conditions.
- ***Maintain social relationships:*** This includes being able to meet reasonable obligations to family and friends (eg care for a sick parent) and the ability to travel and take part in social gatherings (eg attend family funerals).

Some of these needs will be met through government funded services such as English language training for migrants, hospital services and public housing. In many cases individuals will be able to draw on their own resources to meet needs (eg a mortgage-free home) or the resources of their families (eg an employed spouse). Income support means tests take many of these resources into account.

While avoiding poverty requires more than just an adequate income, income *does* matter. As John Veit-Wilson explains, most definitions of poverty agree:

> … that people are in poverty when they live below a standard which their society recognises as a reasonable minimum, and when they lack the resources to achieve that standard of living and take full part in their societies, to be socially included, recognised and respected as full members.

> Those resources may also be various, and both tangible and intangible, but in the commercialised, marketised and consumerised society in which we all live, enough money is indisputably the most important single material resource.[13]

Irrelevant considerations

All policy decision-making involves trade-offs but Australia's recent public policy debate about unemployment allowance levels and incentives to work has been marked by a blurring of trade-offs in relation to adequacy. Any trade-offs in this area need to be made transparently. Considerations that are *not* relevant directly to adequacy include:

- ***Affordability:*** Whether or not to increase a payment without raising taxes or making cuts to other programs should not affect an objective assessment of what is adequate.
- ***Work incentives:*** Adequacy and work incentives are separate issues. If wages for jobs available to Newstart recipients halved or doubled this would significantly change the financial incentive to move into work. However a shift in wages would not increase or decrease the standard of living recipients could achieve while reliant on income support.
- ***Public attitudes about what recipients deserve:*** Attitudinal surveys show that many Australians think that migrants, the long-term unemployed and young people get too much support and older unemployed people not enough.[14] This appears linked to perceptions of what various groups deserve (eg older people have worked and paid taxes while recent migrants and young people have not). However, being 'less deserving' does not make things like food, housing and visits to the dentist cheaper. In this sense, it is not relevant to adequacy.

Determining adequacy

There are two parts to determining the adequacy of income support payments. The first is a normative judgment about the kinds of things recipients *ought* to be able to achieve. The second is an empirical judgment about what income a recipient would need to be able to achieve those things.

Policy analysts trained in economics sometimes claim that normative judgments are subjective and beyond argument. Amartya Sen argues that economics cannot be separated from ethics.[15] He argues that people should be able to achieve the kind of lives they *have reason to value*. Reasons are something we can argue about.

On the empirical question, budget standards research offers a practical way of determining the income needed to achieve a particular standard of living. This is the approach the Australian Department of Social Security (DSS) adopted for determining adequacy in the early 1990s.[16]

5. Are unemployment payments adequate?

After two decades of near continuous economic growth, many Australians have forgotten what it is like to lose a job and not be able to find another. They think of long-term unemployment as something that only affects people who are incompetent or not serious about finding work.

In an environment like this it is difficult to hold onto the vision of the political leaders who created Australia's income support system. The current system shows signs of

reverting to some of the principles that made unemployment such a humiliating experience during the Great Depression.

Recently Vassiliki Koutsogeorgopoulou of the OECD questioned whether the Newstart Allowance was set at a level that was adequate to support job search:

> The relatively low net replacement rate in the first year of the unemployment spell raises issues about its effectiveness in providing sufficient support for those experiencing a job loss, or enabling someone to look for a suitable job.[17]

According to the ABS, recipients of unemployment and study benefits suffer from relatively high levels of financial stress. As the table below shows, 78.7 per cent of this group experienced three or more indicators of financial stress during a 12 month period. This is a significantly higher proportion than those receiving age pensions (21.4 per cent) or disability and carer payments (57.0 per cent).

11 PERSONS LIVING IN HOUSEHOLDS, MAIN SOURCE OF INCOME IS GOVERNMENT PENSIONS AND ALLOWANCES(a), Financial stress indicators, 2009–10

	RECEIVES GOVERNMENT PENSIONS AND ALLOWANCES					
	Age pensions	*Disability and carer payments*	*Unemployment and study payments*	*Family support payments*	*Other payments*	*Total*
	%	%	%	%	%	%
Number of indicators of financial stress experienced by households in last 12 months						
None	53.6	23.7	*9.2	8.8	39.3	31.5
One	16.2	11.7	*6.5	6.7	18.4	12.2
Two	8.8	7.6	*5.5	7.4	*9.6	8.0
Three or more	21.4	57.0	78.7	77.0	32.7	48.3
Proportion of persons in household that experienced indicator in last 12 months						
Unable to raise $2000 in a week for something important	13.7	45.0	56.8	57.0	19.8	34.5
Spent more money than received	10.3	20.3	36.7	31.2	19.5	21.6
Could not pay electricity, gas or telephone bills on time	5.5	24.9	40.0	43.4	12.9	23.6
Could not pay car registration or insurance on time	*2.1	7.8	15.0	15.8	*6.8	8.6
Pawned or sold something	*0.6	7.4	*12.3	13.9	*1.5	6.8
Went without meals	*0.9	7.4	*13.0	12.4	*2.1	7.4
Unable to heat home	*1.8	8.4	*10.0	8.8	**6.3	5.6
Sought assistance from welfare/community organisations	*0.4	9.0	14.1	16.9	*4.0	8.8
Sought financial help from friends or family	*2.9	16.9	27.0	30.0	*7.9	15.6
Could not afford holiday for at least one week a year	28.0	56.2	75.3	74.2	39.4	49.8
Could not afford a night out once a fortnight	25.3	48.0	63.2	58.3	32.5	40.8
Could not afford friends/family over for a meal once a month	9.7	19.8	34.7	28.2	9.5	19.3
Could not afford a special meal once a week	17.1	33.0	41.6	43.7	21.4	29.6
Could only afford second hand clothes most of the time	11.2	33.0	46.1	45.7	15.2	27.8
Could not afford leisure or hobby activities	12.9	37.0	51.7	48.1	18.3	29.3

* estimate has a relative standard error of 25% to 50% and should be used with caution

** estimate has a relative standard error greater than 50% and is considered too unreliable for general use

(a) See glossary for further details of payment groups

Source: ABS Household Expenditure Survey 6530.0. 2009 – 10.

6. Incentives to work

The gap between unemployment payments and wages is large and growing. As Jessica Brown of the Centre for Independent Studies writes:

> Newstart Allowance is set at only 40% of the minimum wage. If the payment was increased by $50 a week, it would still only be worth half of the minimum wage – suggesting that an increase of this size would not dramatically undermine incentives.[18]

It is possible to maintain work incentives while improving the adequacy of unemployment payments.

For some critics however, the gap between income support and wages is not as important as the absolute level of income support. Like 19th century thinker Alexis de Tocqueville, they believe that if payments are above the amount needed to prevent starvation, some people will simply refuse to work. For example, American political scientist Edward Banfield argued:

> In the lower class, work is most dissatisfying because of the discipline it entails; the lower-class person prefers near-destitution without work to relative abundance with it.[19]

Lawrence Mead, a leading American analyst, argues that financial incentives are far less important than most economists believe. Discussing programs that use financial incentives to encourage young people to complete high school he writes:

> The incentives for youth to get through school and avoid trouble are already great. If poor youth misbehave, the main reason is not that their rewards are limited but that they are not in control of their lives. If they were, they would seldom be poor for long in the first place.[20]

If this is the objection to adequate rates of income support, then there is little point arguing about taper rates, interactions between payments and effective marginal tax rates. For these critics it makes little difference whether income support payments are adequate or not, the result will be the same.

Financial incentives are not the only incentives. As then Minister for Employment, Tony Abbott said in 2001:

> Financial incentives are important – but they're not necessarily the most important change government can make for people on benefit. Because people respond to values as well as financial incentives, the Government has been ready to ask more of people as well as to give more; to appeal to people's pride as well as their "hip pocket nerve".

Work can be made more attractive than life on welfare by changing the rewards of work or by changing the conditions of welfare.[21]

7. Creating an objective benchmark

Income support payments to unemployed Australians are not adequate. As wages and pensions rise, jobless Australians are falling further and further behind.

The Henry Review proposed establishing adequacy benchmarks to make the income support system more robust. Catholic Social Services Australia (CSSA) supports this proposal.

In a Paper published in 2008, CSSA proposed establishing an independent commission to set benchmarks of adequacy (government would be responsible for setting rates). The paper proposed the following terms of reference:

> 1. In keeping with this objective the Commission's role would be to establish adequacy benchmarks for income support payments. In setting these benchmarks the commission should consider:

1.1. the goods and services necessary to live in reasonable comfort, maintain dignity and take part in the life of the community;

1.2. the contribution of in-kind government support provided through measures such as the Seniors Card, Medicare, public housing and subsidised transport;

1.3. differences in the cost of living between income support recipients who own their own homes or have access to public housing and those who rely on the private rental market;

1.4. differences in the cost of living for income support recipients in different geographical areas;

1.5. differences in the cost of living for income support recipients living in different family/household types.

2. The objective of the income support system is to create a safety net to support a standard of living below which no member of the community should have to fall. The safety net is *not* designed to:

2.1. reduce inequality of income (although it may have that effect);

2.2. enable working aged individuals to voluntarily withdraw from paid employment or social participation.

3. An adequate standard of living is one that allows an individual to live in frugal comfort, maintain their dignity, and take part in the life of the community. An adequate income is a necessary but not sufficient requirement for attaining an adequate standard of living.

4. The Commission will operate transparently and publicly explain and report on the evidence and reasoning behind its decisions.

One of the major reasons Australian governments set out to create a system of social security was to make sure that Australians would never again have to experience the humiliation and loss of dignity associated with an inadequate welfare system.

This proposed, independent commission on Income Support Adequacy would ensure that Australia's income support system stayed true to the bipartisan vision of the political leaders who created it.

Appendix 1 - Origins of Australia's unemployment benefit system

Many nineteenth century reformers rejected the idea that people seeking support should be treated as equals. They began with the assumption that it was laziness that drove the able bodied poor to seek support. They argued that attacking poverty by providing adequate support in a way that allowed recipients to keep their dignity, would only make the problem worse.

This argument is more than a historical curiosity. It continues to resurface in today's policy debate.

Tocqueville and the perversity thesis

French thinker Alexis de Tocqueville claimed that most of the poor prefer idleness to work and will only work if faced with starvation. In his 1835 *Memoir on Pauperism* he wrote:

> Man, like all socially organised beings, has a natural passion for idleness. There are, however, two incentives to work: the need to live and the desire to improve the conditions of life. Experience has proven that the majority of men can be sufficiently motivated to work only by the first of these incentives. The second is only effective with a small minority. Well, a charitable institution indiscriminately open to all those in need, or a law which gives all the poor a right to public aid, whatever the origin of their poverty, weakens or destroys the first stimulant and leaves only the second intact.[22]

So according to de Tocqueville the inevitable result of government support is "to perpetuate idleness among the majority of the poor and to provide for their leisure at the expense of those who work."[23]

In a conversation with English economist Nassau Senior, Tocqueville admitted he was unsure whether "we should or should not say, that as a matter of law nobody shall starve." However he *was* certain that: "If we give this right we must of course make this relief disagreeable; we must separate families, make the workhouse a prison, and our charity repulsive."[24]

The workhouse test was the English poor law reformers' solution to the problem of providing a legal right to support without encouraging idleness and dependence. Workhouses were institutions for the destitute where inmates were offered food and lodging and expected to engage in hard manual labour. As Israeli philosopher Avishai Margalit explains:

> The English Poor Laws, in all their transformations from the time of Elizabeth I, played a part in the use of humiliation as a deterrent against the exploitation of welfare by people looking for a free meal. The idea was that providing people with the bread of charity would encourage laziness and undesired dependence on society. The way to deter lazy people from asking for support was by offering such support under particularly humiliating conditions. Anyone who could accept these debasing conditions would thus be someone without any choice (p 223).

Tocqueville preferred private charity. Charitable support made it clear that jobless poor had no moral right to assistance and that they should be grateful to those who helped them. But Tocqueville also realised that the problem of poverty in an industrial society was too big for charity alone.

After the poor law

By the early 20th century social thinkers increasingly saw unemployment as an economic problem rather than a problem of individual character. A new wave of reformers worried that respectable working people were being 'pauperised' by poor law institutions. One of these was Winston Churchill who, as a member of the Asquith government, introduced unemployment insurance in 1911.

Churchill's vision for unemployment insurance marked a radical break with the poor law. If a worker had made his contributions, he was entitled to support. The Fabian socialists Sidney and Beatrice Webb objected to the lack of conditionality but Churchill held his ground. According to historian Bentley Gilbert, under Churchill's scheme: "The state could never be permitted to distinguish the worthy and the unworthy among its citizens; it might never penalize an applicant for aid, no matter how dirty, ignorant, or improvident, by requiring him to reform."[25]

Australia and the Great Depression

Australia entered the Great Depression without a national scheme of unemployment insurance or social assistance. In most places the safety net was a patchwork of charity, relief work and food vouchers. As Dale Daniels of the Australian Parliamentary Library notes, the schemes: "were poorly administered, unable to cope with the numbers involved, destructive of the dignity of those needing assistance and extremely parsimonious."[26]

For many of those out of work seeking relief was a humiliating experience. As one man remembers:

> The weekly dole queues were the most forlorn sight. Some of them were literally miles long and nearly all women. The men were all busy scrounging or doing odd jobs, anything at all, for a few extra shillings. The dole, of course, being mostly ration cards very little money, presented opportunities for little public servants who were doling it out. Some seedy little character would offer a few extra ration cards to some good-looking female, who would not normally spit on him, for a roll in the hay. They wielded a fair bit of power in a nasty, spiteful way. Not all of them, of course, but enough to make a lot of unpleasantness.[27]

It was not just the unemployed who were appalled by the treatment of jobless Australian. After the depression in the 1940s Senator Jim Sheehan told the Parliament: "In the old days it was almost a crime for a man to become unemployed. He was looked upon as one who shirked work, and did not desire to sell his labour."

The creation of an unemployment benefits scheme

The depression changed people's attitudes towards the unemployed. In 1941 the Menzies government set up a parliamentary committee on social security. With members from both the government and opposition, the committee set out to devise a plan for combating poverty. In its first interim report the committee stated:

> It is widely held that the services should have a regenerative or moral side, that the disbursing authorities should avoid demoralizing the recipients of moneys or services, and that little help should be given to the undeserving, to those who by their vicious or improvident conduct have proved themselves unworthy of assistance. This latter attitude, however, brings up the whole question of the cause of poverty. For long it was held that poverty was the fault of the individual and was solely due to

> inefficiency, improvidence, dishonesty, drunkenness and the like. More modern opinion is that poverty is mostly not the fault of the individual but of the environment in which he lives. Social services were developed largely because of the conviction that it is misfortune not inherent evil, which brings people into want, and therefore it is the duty of the community to mitigate the worst effects of that want.[28]

The second interim report reinforced the point by acknowledging “that unemployment is not generally the fault of the individual ; that the most skilled and thrifty worker is exposed to the risk of it for reasons beyond his control”.[29]

Both major parties agreed on the need for social security for the unemployed. But they disagreed about how this should be financed. Robert Menzies argued for an insurance scheme where workers made contributions. He argued that this would allow the government to offer payments without a means test. As he explained in 1944 (after the change of government):

> The moment we establish, or perpetuate, the principle that the citizen, in order to get something he needs, or wants, and to which he has looked forward, must prove his poverty, we convert him into a suppliant to the State for benevolence. That position is inconsistent with the proper dignity of the citizen in a democratic country. People should be able to obtain these benefits as a matter of right, with no more loss of their own standards of self-respect than would be involved in collecting from an insurance company the proceeds of an endowment policy on which they have been paying premiums for years.[30]

The Joint Committee on Social Security had recommended a non-contributory scheme and this was the model adopted by the Labor government. However Labor members did not accept that a non-contributory scheme was needed to allow claimants to preserve their dignity. As Labor MP Rowley James told the parliament:

> The Unemployment and Sickness Benefits Act provides for the people a measure of social security, so that they will not be compelled to stand in queues, as they were in the 1930's, to receive a weekly dole docket valued at 6s. 4d. While I agree that the existing rate of unemployment benefits is still inadequate, it is infinitely preferable to the dole.[31]

According to Senator James Arnold, a member of the joint social security committee, the “miserable pittance” paid to the unemployed “has been barely sufficient to keep them alive.” He went on to say that if people are unable to find work “they should be provided with an adequate subsistence allowance.” [32]

Appendix 2 — Terms of Reference for the Committee Inquiry

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.

(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;

(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; and

(c) the impact of the changing nature of the labour market, 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.

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