



Stacking the Deck:

The Impacts of Federal Employment Reforms
on the Disadvantaged in Canberra

Submission to the ACT Legislative Assembly
Select Committee on Working Families

January 2006



About ACTCOSS

ACTCOSS acknowledges Canberra has been built on the traditional lands of the Ngunnawal people. We pay our respects to their elders and recognise the displacement and disadvantage traditional owners have suffered since European settlement. ACTCOSS celebrates the Ngunnawal's living culture and valuable contribution to the ACT community.

The ACT Council of Social Service Inc. (ACTCOSS) is the peak representative body for not-for-profit community organisations, people living with disadvantage and low-income citizens of the Territory. ACTCOSS is a member of the nationwide COSS network, made up of each of the state and territory Councils and the national body, the Australian Council of Social Service (ACOSS).

ACTCOSS' objectives are representation of people living with disadvantage, the promotion of equitable social policy, and the development of a professional, cohesive and effective community sector.

The membership of the Council includes the majority of community based service providers in the social welfare area, a range of community associations and networks, self-help and consumer groups and interested individuals.

ACTCOSS receives funding from the Community Services Program (CSP) which is funded by the ACT Government.

ACTCOSS advises that this document may be publicly distributed, including by placing a copy on our website.

Contact Details

Phone: 02 6202-7200
Fax: 02 6247-7175
Mail: PO Box 195 Civic Square ACT 2608
E-mail: actcoss@actcoss.org.au
WWW: <http://www.actcoss.org.au>
Location: Jamieson House
43 Constitution Avenue
Reid ACT 2612

Director: Ara Cresswell
Policy Officer: Llewellyn Reynders

January 2006

© Copyright ACT Council of Social Service Incorporated

This publication is copyright, apart from use by those agencies for which it has been produced. Non-profit associations and groups have permission to reproduce parts of this publication as long as the original meaning is retained and proper credit is given to the ACT Council of Social Service Inc (ACTCOSS). All other individuals and Agencies seeking to reproduce material from this publication should obtain the permission of the Director of ACTCOSS.

Contents

About ACTCOSS.....	2
Contents	3
Abbreviations	3
Preface	4
Overview	5
The Labour Market for Low Pay Workers.....	6
The Impact of Industrial Relations Reform	9
People with a Disability and Single Parents	11
The Impact of Welfare Reform	13
Families and Children.....	16
The Effect on the Community Sector	17
The ACT Government Policy Response.....	19
References	22

Abbreviations

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
ACOSS	Australian Council of Social Service
ACTCOSS	ACT Council of Social Service
AFDO	Australian Federation of Disability Organisations
AIHW	Australian Institute of Health and Welfare
AIRC	Australian Industrial Relations Commission
ANU	Australian National University
AWA	Australian Workplace Agreement
CSP	Community Services Program
DSP	Disability Support Pension
FACS	Department of Family and Community Services
HREOC	Human Rights and Equal Opportunity Commission
NATSEM	National Centre for Economic and Social Modelling
PPS	Parenting Payment (Single)
SEUP	Survey of Employment and Unemployment Patterns

Preface

ACTCOSS welcomes the opportunity to contribute to this inquiry into the effects of Federal Government reforms on the people of Canberra by the ACT Legislative Assembly Select Committee on Working Families (“the Committee”). ACTCOSS’ interest in this inquiry is the impact of Federal Government reforms on people living with disadvantage and low-income households in the ACT, particularly from the so-called ‘Work Choices’ and ‘Welfare-to-Work’ reform agenda.

ACTCOSS’ position as a peak body for the ACT community sector leaves us well placed to comment on the possible impacts of these reforms on people experiencing disadvantage in Canberra. However, ACTCOSS would also encourage the Committee to seek input from individuals likely to be affected by the reforms, including those who experience disadvantage. ACTCOSS firmly believes that consumers input will improve the quality and veracity of the information collected by the Committee, if adequate resources, support, information and opportunity are provided.

ACTCOSS would also make a brief comment on the terms of reference. ACTCOSS questions whether the target group of “working families” is the best description of those who may be worst affected by decisions by the Commonwealth Government. As the Committee is no doubt aware, the concept of “family” is often contested by different people in the community, and different groups may have conflicting ideas of what constitutes a family. ACTCOSS would encourage the Committee to consider a broad view of Canberra families, and include a diversity of family arrangements.

For instance, there are many Canberrans who may live in single person households, but nonetheless are part of an extended family and continue to hold deep emotional connections to their parents, siblings, children and other relatives, despite the fact that they may not reside together. In addition, ACTCOSS also notes that some people affected by Federal Government reforms may not be in paid employment, although they may wish to join the workforce. It is important that the Committee is able to take into consideration the impacts on people in these circumstances. ACTCOSS would also regard the important contribution to the community of raising children or volunteering as valuable forms of work, despite that they are not paid.

Overview

Over the last decade, the Australian Federal Government has radically altered its approach to social policy. ACTCOSS is concerned that the Australian Government has explicitly adopted an United States model for social policy, and that Australians, including Canberrans, will increasingly experience the negative social outcomes associated with this approach, including increasing income inequality, social exclusion and the development of an entrenched underclass of working poor. A central theme of this movement is the increasing propensity of policy-makers to shift the blame for negative social outcomes onto the poor, and seeking to displace the community's collective responsibility for social cohesion onto the 'individual responsibility' of those who have the fewest resources and the least capacity to find solutions.

Both the misnamed 'Welfare-to-Work' and 'Work Choices' reform proposals follow this ideological model. Instead of using the legal and economic powers of government to ensure fair access to employment and conditions of work, the government seeks to shift responsibility for increasing employment and improving the wages and conditions of work onto the unemployed and low paid workers. Predictably, the outcome of this will be slower wages growth and slower improvements in working conditions, or even reductions in worker's entitlements and conditions.

In this submission, ACTCOSS seeks to highlight the disadvantage that low-paid and marginalised workers and their families already experience in the labour market, and outline the probable impacts that these reforms will have on the Canberra community. In particular, while we encourage the Committee to critique and analyse the impacts of the Federal Government's intentions, it is also necessary to formulate the necessary policy response of the ACT Government to ameliorate the worst of the resulting negative impacts.

In preparing this submission, ACTCOSS has drawn from material produced by the Australian Council of Social Service, in particular its submission to the Senate inquiry into the Welfare-to-Work Bill. ACTCOSS endorses this analysis and commends it to the Committee.

Poverty, unemployment and social exclusion are entrenched social problems that do not have quick and easy solutions. They will take commitment, resources and innovative and creative solutions to eradicate over a sustained period of time. Yet we can be certain that these problems will persist if governments ignore them, and people will become trapped in poverty and disadvantage if we stack the deck against them.

The Labour Market for Low Pay Workers

In any discussion of labour markets and employment, it is important to recognise that labour markets are segmented rather than homogenous. While there may be a labour shortage in a particular industry, geographic area or for workers with certain skills, this rarely translates to the labour market in general. In particular, it is useful to distinguish between markets for skilled and unskilled labour, and the differing characteristics between the two.

As a generalisation, workers in unskilled labour markets are more likely to experience some form of social disadvantage. Because unskilled work requires less training or experience than skilled occupations, individual workers are more easily replaced, and hence employment markets are more volatile and workers have less bargaining power, particularly on an individual level. In addition, unskilled workers have lower levels of education, and usually have less awareness of how to bargain or understand complex legal documents. Unskilled workers not only receive lower levels of remuneration than skilled employees, but also tend to have fewer entitlements.

Unskilled and low pay workers are more likely to rely on industrial awards and legislated protections than other workers, and changes to the award system will have a much greater effect on the pay and conditions of this group than skilled workers.

Low pay workers are more likely to be from disadvantaged groups

It is widely documented that workers who receive low pay or minimum wages are more likely to be from a disadvantaged background. For instance, a recent Discussion Paper from the Centre for Economic Policy Research at the Australian National University (ANU) found that workers earning near minimum wages were “disproportionately female, unmarried and young, without post-school qualifications and overseas born. About one-third of minimum wage workers are the sole worker in their household.”¹

Similarly, an earlier study commissioned by the Australian Bureau of Statistics (ABS) found that people more likely to be low paid include women, young people, single people, parents of dependent children, people from a non-English speaking background, and people with a disability.² It also found that people who have not completed school, have few qualifications, less work experience and a poor employment record are more likely to be low paid. In addition, the analysis provided evidence that low paid workers are more likely to be employed by small business, and casual workers were more likely to be low paid than permanent employees.

¹ Leigh (2005), p. ii

² ABS (2000a)

It is clear that a detrimental impact on workers who rely on awards and minimum wage laws for their pay and conditions will reverberate with a far greater social impact as these employees are already disadvantaged in our community.

Who employs low pay workers?

ACTCOSS has not located direct information on employment of minimum wage workers by industry, but it is possible to make a reasonable estimate of where these workers are employed by examining the industrial patterns of low-earning employees. While low earnings may be the result of either low pay or part-time work (or both), we can reasonably presume the employment patterns are similar in both cases. According to the ABS, around 30% of Australian employees are paid less than \$500 a week.³ The proportion of employees earning less than \$500 a week is significantly higher in the service industries of:

- Accommodation, cafes and restaurants (57%);
- Retail trade (56%);
- Cultural and recreational services (44%); and
- Health and community services (35%)

Given the higher proportions of low-earning employees in these industries, it appears likely that they are more likely to depend on awards and minimum wage laws for their levels of pay and conditions, and therefore more likely to be affected by changes to industrial relations legislation.

The labour market is more volatile for low pay workers

In the mid 1990's the ABS ran a series of workforce surveys called the Survey of Employment and Unemployment Patterns (SEUP); a longitudinal study of the patterns of employees moving in and out of the workforce, from which they commissioned a number of useful studies. Generally, labour market status is reasonably stable: 94% of men and 89% of women who were in full-time work in Sept 1994 were also working three years later.⁴

However, labour markets are far more volatile for low pay workers. Over 20% of employees who were in low-paid jobs in Sept 1995 were unemployed two years later, compared with only 8.6% of higher wage earners.⁵

³ ABS (2005)

⁴ ABS (2000b): Sample is for adults ages 20-60.

⁵ ABS (2000a)

Low pay work does not necessarily lead to higher pay work

A further insight into the dynamics of low pay employment provided by the SEUP is that a significant proportion of low pay workers do not progress to higher paid work. To illustrate the point, analysis of the SEUP showed that 70% of the unemployed in Sept 1995 who secured a wage and salary position by Sept 1997 were in higher paid employment. By comparison, only 57% of low pay employees who remained in a wage and salary position over the same period moved to higher paid employment.⁶

This example demonstrates that low pay work may not be a stepping stone to better job opportunities. Much low pay work is repetitive and involves little prospect of acquiring new skills or promotion. To the extent that there are fewer opportunities to progress to higher paid positions, many low pay workers can only receive additional income and entitlements by improvements in their award conditions.

Low earning and part-time employees have fewer entitlements

A major issue for low earning and part-time employees is that the majority of this work is casual employment – meaning that these workers rarely have access to paid leave entitlements and this makes it difficult to combine this type of work with family, caring or community responsibilities.

Unsurprisingly, part-time workers earn far less than full-time employees – in the ACT in 2004 part-time employees earned a median wage of just \$396 per week compared with \$1045 for full time employees.⁷ Part-time jobs are usually casual, accounting for the fact that 56.5% of Australian part-time employees have no paid leave entitlements.⁸

Similarly, 62% of Australians earning less than \$400 per week have no paid leave benefits at all, and less than 10% have access to paid parental or maternity leave. By contrast, only 8.3% of Australians earning more than \$1000 a week have no paid leave entitlements, and nearly 40% have access to paid parental or maternity leave.⁹

Paradoxically, while women are more likely to be primary carers for children or relatives, they are less likely to have paid leave entitlements than men. In the ACT, 23% of female employees have no paid leave entitlements, compared with 15.5% of men.

Clearly, these figures demonstrate that not only are low income workers more likely to be disadvantaged, they are also less likely to have working conditions that would enable them to improve their circumstances more effectively.

⁶ *ibid.*

⁷ ABS (2005)

⁸ *ibid.*

⁹ *ibid.*

The Impact of Industrial Relations Reform

The Federal Government has made two significant changes to employment legislation in the final months of 2005, being the *Workplace Relations Amendment (Work Choices) Act 2005*, and the *Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Act 2005*. This section will comment on some of the possible ramifications of the Work Choices Bill on disadvantaged and low pay workers.

The minimum wage will be lower compared to the median wage

The Work Choices Bill ushers in the creation of the so-called Fair Pay Commission. As is confirmed by a minute from the Department of Treasury to the Treasurer¹⁰, growth in the minimum wage will likely be lower than under increases granted by the Australian Industrial Relations Commission (AIRC). This slower growth in minimum wages will likely increase income inequality in Australia, including the ACT, meaning there will be an increasingly larger disparity between high and low income families.

In addition, lower relative wages will reduce the incentive for unemployed people and those in the marginal workforce to increase their labour force participation. This is particularly the case for people with rising costs associated with work, for example, childcare costs are currently increasing much faster than inflation. Thus, the net returns from low pay work are likely to be gradually diminished, meaning the relative disposable incomes of families who engage in low pay work will be reduced.

Changes to unfair dismissal laws will increase job insecurity

Under the new legislation, workers will not have access to the unfair dismissal process in their first six months of employment, or if their employer has fewer than 100 employees. Apart from the arbitrary nature of this distinction, as there appears no rational reason while workers for small and medium businesses deserve less protection than those working for larger businesses, it is also the case that, once again, this disadvantages low pay employees because, as already mentioned, small businesses are more likely to employ low pay workers.

The fact that the exemption from unfair dismissal laws encompasses such a wide range of employees also means that a sizeable proportion of the workforce will be disadvantaged by this initiative. It is also likely to increase the incidence of employees seeking redress from unfair dismissal by other means, including through recourse to the ACT Human Rights Commission.

¹⁰ Department of Treasury (2005)

Without protection from unfair dismissal, employment volatility is likely to increase, so that workers have less secure tenure in employment. This will likely mean workers feel less economically secure, thus increasing the pressure of work with likely flow-on effects on family life. It will probably also increase the number of people transitioning in and out of work, meaning that families will have more volatile incomes. This would make family budgets more difficult to manage.

Reduced entitlements and poorer working conditions

As previously mentioned, it is already the case that many workers do not have access to entitlements such as paid leave. However, the considerable reduction of allowable matters in awards and the reliance instead on the Australian Fair Pay and Conditions Standard will likely reduce, over time, the entitlements of low pay workers.

In particular, workers will likely have reduced access to overtime and shiftwork loadings, annual leave loadings, and penalty rates for public holidays and weekend work. The gradual loss of these entitlements over time will likely mean that workers will be required to work non-standard hours more often, making balancing work with other responsibilities more difficult. This is particularly the case for parents and carers, where the availability of care outside normal working hours is even more difficult to secure and more expensive to purchase.

Low pay workers have the least capacity to bargain

The removal of the no disadvantage test for enterprise bargaining agreements and Australian Workplace Agreements (AWAs) is of concern for low paid workers. The new industrial relations system will rely far more heavily on negotiation of pay and conditions, and the ability of agreements to have fewer conditions than the relevant award means that those with least capacity to bargain are most likely to see their pay and conditions reduced below current award standards.

Low pay workers are likely to be unskilled workers, which, as previously mentioned, are far more easily replaced and far less likely to be subject to labour shortages than higher pay workers. This undermines the ability of low pay workers to bargain for better pay and conditions, particularly on an individual basis. Low pay workers are also likely to have less awareness of labour market negotiating strategies to bargain effectively, as they usually have less education, less knowledge of industrial relations and process, and do not have the income to hire industrial or legal advice privately. At the extreme end, some low pay workers are illiterate, some have intellectual disabilities, and many are minors, and ACTCOSS would assert that these groups cannot be reasonably expected to negotiate their pay and conditions. These groups will experience the most deleterious effects on their employment conditions, and may become more reliant on government and community services as a result.

People with a Disability and Single Parents

In addition to the concerns with the Work Choices legislation, the Federal Government has also introduced changes to Welfare arrangements in its Welfare-to-Work Package. Central to these changes are the shifting of large numbers of people with a disability and sole parents from Commonwealth pensions to lower-income allowances. This section will briefly outline some of the characteristics of these groups.

People with a disability

In 2003, 15.8% of Canberrans had a disability, or around 50,000 people.¹¹ This includes 5.0% of the Canberra population who had profound or severe core activity limitations, or over 15,000 people. However, most people with a disability do not depend on the Disability Support Pension, with the Department of Family and Community Services (FACS) recording only 6,241 Canberrans in receipt of the Disability Support Pension in 2001.¹² Many people with a disability do not rely on income support, while others qualify for other forms of income support, such as the age pension.

People with a disability tend to be more disadvantaged than the general population. The unemployment rate among Australians with a disability is 8.6%, compared with 5% for other Australians. Median gross income for people with a disability is only \$255 a week, compared with \$501 for people without a disability. 42.9% of people with a disability rely on government benefits as their main source of income, and less than 30% of people with a disability have completed year 12 or equivalent.¹³ The capacity of many people with a disability to enter the workforce is limited by the requirements and environment of many workplaces, and this is compounded by discrimination and employer reluctance to employ them.

People with a disability have identified "discrimination, inaccessible environments and the lack of investment in employment, training, education and rehabilitation assistance as major barriers to employment"¹⁴. However, the Federal Government's reforms do little to address these issues, and in some cases will make them worse.

¹¹ ABS (2004), p.19

¹² FACS (2003)

¹³ ABS (2004)

¹⁴ AFDO (2005)

Where people with a disability do find employment, they are employed across industries with a similar distribution to other Australians. However, they are more likely to be employed in the industries of personal services, government, education, and health and community services, while they are less likely to be employed in finance, retail, communications, and property and retail services.¹⁵

Single Parents

In June 2003, 25% of ACT families with children aged 0-17 were one parent families, accounting for 10,900 families containing 17,600 of Canberra's children. In June 2001, FACS enumerated 5401 single parents on the Parenting Payment (Single) (PPS)¹⁶, meaning around half of Canberra's single parents rely on this payment for all or part of their income. The unemployment rate for single parents was 9.2% nationally in November 2005, nearly twice the overall rate.¹⁷

Even when employed, single parents earn less than partnered parents. Australia-wide, single parents with dependent children working part-time earn a median income of \$300, in contrast to partnered parents who earn \$400. Single parents are less likely to have paid leave entitlements because many are employed in casual jobs. Across Australia, 28.4% of lone parents with dependent children who are employed have no access to paid leave entitlements, compared with just 13.3% of partnered parents.¹⁸

Sixty percent of jobless single parents have only 10 years of schooling, 45% have a mental illness, and over 20% have experienced physical or sexual violence within the past year.¹⁹ According a study by the National Centre for Economic and Social Modelling (NATSEM), the proportion of single parents in income poverty in 2001 was 18% compared with just 6% of couple families with children.²⁰

Clearly, single parents are in need of intensive assistance in many cases to overcome multiple impediments to increase their workforce participation. The Federal Government's reforms do not provide this assistance in the amounts necessary to remove these barriers, and places new hurdles in their path.

¹⁵ HREOC (2005)

¹⁶ FACS (2003)

¹⁷ ABS (2006)

¹⁸ ABS (2005)

¹⁹ ACOSS (2005a)

²⁰ Lloyd, Harding and Payne (2004)

The Impact of Welfare Reform

In the final days of Parliamentary sittings in 2005, the Australian Senate passed the *Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Act 2005*. This section comments on some of the impacts of that decision, and in particular, why it is also important to consider how these reforms will interact with the industrial relations reforms.

Income will be reduced for some of Canberra's most disadvantaged people

The most striking effect of the Federal Government's Welfare to Work reforms is the reductions in income for some people with disabilities and single parents. While the Federal Government has sought to reduce the immediate impacts of the reforms by "grandfathering" certain groups, particularly people currently on the Disability Support Pension (DSP), it is nonetheless the case that an increasing number of Canberrans will receive lower incomes in future than would otherwise have been the case. While the rhetoric of the Federal Government has been that the reforms are necessary in order to achieve greater workforce participation and reduced welfare dependency, there has never been any explanation or evidence tendered as to how reducing the incomes of disadvantaged people will assist them to find employment. Indeed, this is likely to reduce the ability of people to find employment, as they will have fewer resources to fund the costs of searching for employment, such as transport expenses.

People who would otherwise have qualified for the DSP will now receive \$46 per week less than the pension and those who choose to study full time will receive up to \$166 per week less. Even if they get a job for the required 15 hours per week, their weekly disposable income will be \$99 less than if they were on the DSP. ACOSS estimates that this will affect 1250 Canberrans with disabilities.²¹

Single parents who are not employed will receive \$29 per week once their youngest child turns 8, and those who study full time will receive \$63 less. Even if they acquire the required work of 15 hours a week at the current minimum wages, their weekly disposable income will be \$96 less than on the pension. ACOSS estimates that this will affect around 800 single parents in Canberra.²²

In addition to the direct loss of income, many recipients will no longer be eligible for concession cards that gave them access to lower priced goods and services. This too will reduce the purchasing power of their already reduced incomes.

²¹ ACOSS (2005b)

²² *ibid.*

It is also important to examine this issue in the context of the industrial relations reforms, which are expected to result in a lower relative minimum wage. This means that the group affected by Welfare-to-Work will potentially experience a negative impact on two fronts – their income from government assistance will be reduced, and even if they are able to find work, their potential earnings may be less.

There will be fewer benefits from working

Paradoxically, shifting people with disabilities and single parents from pensions to allowances will actually reduce their net increase in income from workforce participation. NATSEM has completed an analysis of the changes for these groups²³, and found that they will face substantially higher effective marginal tax rates than under the pension scheme. For example, a single parent earning \$150 per week in private income will face an effective marginal tax rate of 75 cents in the dollar, compared with only 40 cents in the dollar on the PPS.

The high effective marginal tax rates mean that even if people find work, they will receive very little return from employment. For example, a person with a disability on New Start Allowance working 15 hours a week at the minimum wage will receive only \$80 extra per week after taxes and withdrawal of benefits – an effective wage of less than \$5.35 an hour. By comparison, on the DSP this would be \$133 a week, or more than \$8.80 an hour.

This demonstrates the punitive nature of the Welfare-to-Work changes. While the rhetoric is that the reforms are designed to increase workforce participation among single parents and people with a disability, the actual result is to reduce the benefits of working for these people. In many cases, the returns from work may actually be even less or potentially negative due to the on-costs of employment such as transport, childcare and the cost of work equipment and uniforms.

Taken with the industrial relations reforms, we again see that the reduced growth in minimum wage expected from Work Choices will entrench poor returns from work, essentially creating a poverty trap for a significant section of the population.

²³ Harding, Vu, Percival and Beer (2005); Harding, Vu and Percival

The penalty regime will increase income volatility

Under the changes made by welfare reform program, many people who would have otherwise been entitled to a pension will now be forced onto New Start Allowance. However, apart from the lower payments, New Start is also subject to a punitive penalty regime that can result in recipients losing their income for a period of up to 8 weeks. This is of particular concern for people with a disability, particularly if they experience mental health problems or an intellectual disability, and be unable to communicate their difficulties to Centrelink to explain their inability to comply with Centrelink directions.

In any case, in contrast to the pension system, there will be some recipients who will be suspended by Centrelink resulting in a loss of income for a period. This will increase the amount of income volatility amongst this group of recipients, and will likely result in greater utilisation of emergency relief services as people find they are unable to pay for their most basic needs.

Once again, this compounds the greater income volatility that is likely to result from increased employment instability produced by the industrial relations reforms.

There is concern that people will be compelled to undertake unsuitable work

A specific concern about the interaction of the Welfare-to-Work and Work Choices changes are that, in combination, they have the capacity to force New Start recipients into unsuitable or extremely poor work environments. The New Start penalty regime includes the possible loss of benefits for up to 8 weeks if a recipient refuses a job offer, while the Work Choices legislation means an employer may offer a 'take-it-or-leave-it' Australian Workplace Agreement (AWA) which is not subject to a no disadvantage test against the relevant award. This means that not only will a jobseeker have no ability to negotiate the conditions of their employment; they will not even have the choice to refuse the job. The combination is a recipe for the exploitation of disadvantaged people.

In particular, there is the potential that parents and carers will be forced into employment that does not allow them to balance their work and family responsibilities, such as work with irregular hours, or shiftwork. Similarly, people with disabilities may be forced into inappropriate work. While Centrelink will retain some discretion as to what constitutes suitable work, this is to be contained in as yet unseen guidelines.

Increased barriers to skills acquisition

A particular feature of the Welfare-to-Work package is that its greatest reductions in income are reserved for those who are studying. This is because some full-time students who would otherwise receive DSP or PPS support will be moved to Austudy payments, which are not only paid at a lower rate, but also do not attract rent assistance. This means that recipients will be up to \$166 per week worse off, and this huge difference in income is likely to be a decisive factor in people discontinuing study or choosing not to increase their skill levels. At time when there is a skills shortage in the Australian workforce, the Welfare-to-Work package will cut off the most effective path to escaping poverty for some of Canberra's most disadvantaged people – skilled employment.

Families and Children

Low incomes and income instability is associated with increases in family stress and lower family functioning. For example, The Australian Institute of Health and Welfare (AIHW) reports that there is a correlation between self-reported family function and household income. Families with the lowest levels of income are more than twice as likely to report that family cohesion is poor to fair as families in the highest income households.²⁴

Similarly, the AIHW goes on to explain the risks to children associated with living in low-income families:

“Living in a family with low income can affect a child’s nutrition, their access to medical care, the level of stress in the home and the quality and stability of their care ... In addition, research confirms that for a number of health and social outcomes, including socio-emotional functioning, mental health, physical health, educational attainment and later employment prospects, children in the lowest income groups are at a higher risk of disadvantage than other children.”²⁵

ACTCOSS would argue that the combination of the Welfare-to-Work and Work Choices reforms serves to reduce the incomes of Canberra families, particularly for single parent families who will not longer be eligible for the PPS, but also families that rely on the awards to protect their pay and conditions. While the impact on certain single parent families will be immediate and most obvious, the general erosion of the incomes of low income families relative to the median wage will slowly increase the relative disadvantage faced by children in these family environments.

²⁴ AIHW (2005), p.79

²⁵ *ibid.*, p.80

The Effect on the Community Sector

As the peak body for the ACT community sector, ACTCOSS is particularly concerned about the effect that the Federal Government's employment reforms will have on community organisations, both in the demand for human services by the ACT community, as well as the viability of organisations to maintain their level of service provision.

Expansion in demand

ACTCOSS expects that the increase in job insecurity and the increased number of people at risk of suspension will increase reliance on community service provision, particularly in the areas of emergency relief and crisis services. The lower payments, coupled with increased volatility in income, are more likely to expose families to financial shortfall, being unable to afford food, rent or utility bills.

However, the impact is likely to go further, as the increased economic insecurity is likely to precipitate other social problems, such as mental health difficulties, domestic violence and drug dependency. It is well recognised that these problems are exacerbated by financial crises, and the greater a family's susceptibility to financial shortfall the more likely they are to experience other social difficulties.

Similarly, lower incomes and increased income insecurity are also likely to put families at greater risk of housing stress or losing tenure, and thus there is likely to be increased demand for homelessness services and for public housing. These impacts are likely to be more prevalent in Canberra because of its relatively expensive housing market, with fewer low-cost housing options available to low-income families.

Furthermore, carers may find it more difficult to combine paid work with their caring responsibilities. If leave entitlements are eroded by the industrial relations changes, carers may find they no longer have the flexibility they need to provide appropriate care, particularly in an environment where respite care is under-funded and places are extremely difficult to secure. Some carers may seek to place their relatives in residential care, increasing demand on services where there are already shortages. Alternatively, other carers may choose to withdraw from the workforce, in direct conflict the Federal Government's supposed aim of workforce participation, and relying more heavily on government transfer payments.

In general, ACTCOSS anticipates a flow-on effect in demand at all levels of community service provision.

Working conditions in the community sector

The changes to industrial relations law will have a significant effect on community sector workers. Many workers in the community sector rely on awards to protect their wages and conditions, and in particular to secure wage increases. Community sector workers are already poorly remunerated, and earn significantly less than public sector workers undertaking the same tasks. They also already have fewer entitlements and conditions of work than their public and private sector counterparts.

While ACTCOSS believes that community sector organisations do their best to reward their staff appropriately, this must be considered in an operational environment where resources are already stretched and services are frequently running at or over capacity. Without the strong impetus of an award increase, organisations may have difficulty in prioritising resources for wage increases, and community sector workers will see declining growth in their remuneration as a result.

Volunteering

A further concern over the impact of the Work Choices legislation will be the impact on the volunteer workforce. If leave entitlements and conditions are eroded, then volunteers may find it more difficult to combine paid work with their volunteering and community responsibilities. This would lead to a loss of volunteers from the community sector, as well as the non-for profit sector more generally.

Community organisations rely on volunteers in a number of roles. The governance structure of community sector organisations is provided by volunteers, with boards and committees relying on volunteer members to provide direction, oversight and management for organisations. Some community organisations also rely heavily on volunteers for service delivery, and these services are at risk if there is a reduction in the volunteer labour force.

The ACT has the highest rate of volunteering of any State or Territory at 36.3% of adults.²⁶ While the ABS does not provide more detailed disaggregated data for States and Territories, the trends in the ACT are likely to be broadly similar for those Australia-wide.

²⁶ ABS (2001)

Nationally, over 70% of volunteers are working, and employed people have a higher rate of volunteering than those without employment (35.2% and 25.8%, respectively). People aged 35-44 were most likely to volunteer (40.1%), followed by people aged 45-54 (35.4%). Parents of dependent children had a high rate of volunteering, at 40.9%, compared with 20.5% of adults without dependent children. Men are most likely to volunteer for a sporting organisation, whereas women are most likely to volunteer for a community or welfare organisation.²⁷ Given that the ACT's rate of workforce participation is higher than the rest of Australia, the proportion of the ACT's volunteers in the workforce may be also be higher.

The ACT Government Policy Response

ACTCOSS would reiterate its opposition to the Federal Government's employment reforms and would encourage Members of the Legislative Assembly to continue their vocal opposition to the changes. However, given that these have now passed through the Federal Parliament, and will be implemented this year, the ACT Government also needs to turn its attention to its own policy response to the changes, and means of ameliorating the worst effects of the reforms.

Provision of affordable housing

As previously mentioned, a key concern from the interaction of the two packages is that housing insecurity will likely be exacerbated. A renewed commitment to increasing the provision of affordable housing in the ACT is necessary to combat this phenomenon, particularly through increased investment in public and community housing, and retaining security of tenure in the provision of public housing.

Concessions

The ACT Government provides a range of concessions to low-income citizens of the territory, including through the revenue system, public transport and motor vehicle registration, the health system, vocational education and public housing rental rebates. The ACT Government should review the distribution and level of concessions to ensure that they are effectively targeted and increased to help neutralise the loss of income to affected households.

²⁷ *ibid.*

Training opportunities and education

The ACT Government is a key provider of vocational education, particularly through the Canberra Institute of Technology. The worst reductions in income resulting from the Welfare-to-Work reforms will be for those undertaking further education. The ACT Government should review its provision of assistance through its vocational education system, and in particular examine providing additional subsidies and direct assistance through its vocational education institutions.

Employment programs

Unlike other state and territory governments, the ACT government does not currently fund employment programs for the local community. This is of particular concern for the long-term unemployed and disadvantaged job-seekers such as people with a disability and single parents. After the Welfare-to-Work reforms, the ACT can expected an increase in these groups, without a concomitant increase in employment services. The ACT Government should consider implementing additional employment programs such as those instigated by the Tasmanian Government's 'Partnerships to Jobs' Program.²⁸

Strengthening discrimination law

It is likely that the newly formed ACT Human Rights Commission will see an increase in the number of complaints of unlawful discrimination related to employment, as the avenue of pursuing these issues through the unfair dismissals process will be drastically curtailed. The ACT Government should review its discrimination laws to ensure they are able to provide an effective resolution for problems of discrimination in relation to employment.

Furthermore, the ACT Government should help ensure that low-income and disadvantaged people in the ACT are protected from discrimination in the provision of goods and services, including housing, by including socio-economic status as a ground for discrimination in the ACT.

Strengthening human rights

Articles 6, 7, and 8 of the International Covenant of Social, Economic and Cultural Rights include the right to work, the right to just conditions of work, the right to join a trade union and the right to strike. Article 9 includes the right to social security, and Article 9 includes the right to social security. The ACT Government should complete its suite of human rights protections by including Economic, Social and Cultural Rights in the ACT Human Rights Act, providing greater protections for workers as far as is possible under ACT Law.

²⁸ See <http://www.development.tas.gov.au/workforce/jobs.html>

Strengthening the ACT community sector

The ACT community sector will be at the forefront of the fall-out from the Federal Government reform program. An important element of any policy response will be to ensure that community sector agencies that work with people experiencing disadvantage are properly resourced to carry out their role.

The ACT government has committed to a new funding indexation model to ensure that funding for community organisations is kept in line with the real costs of service provision. However, this does not close the existing gap between public and community sector wage levels.

The Government is also in the process of investigating ways of improving community sector workers pay and conditions through the Community Sector Task Force. However, these commitments need to be kept and the recommendations of the Task Force need to be implemented. In addition, the ACT Government should investigate the expected increase in demand and increase funding to organisations to meet this need.

References

- Australian Bureau of Statistics (ABS) (2000a) *Labour Market Outcomes of Low Paid Adult Workers: An Application Using the Survey of Employment and Unemployment Patterns*, Occasional Paper, Cat. No. 6293.0.00.005, Canberra
- Australian Bureau of Statistics (ABS) (2000b) *Labour Market Dynamics in Australia: An Application Using the 1994-97 Survey of Employment and Unemployment Patterns*, Occasional Paper, Cat. No. 6293.0.00.006, Canberra
- Australian Bureau of Statistics (ABS) (2001) *Voluntary Work, Australia*, Cat. No. 4441.0, Canberra
- Australian Bureau of Statistics (ABS) (2004) *Disability, Ageing and Carers: Summary of Findings*, Cat. No. 4420.0, Canberra
- Australian Bureau of Statistics (ABS) (2005) *Employee Earnings, Benefits and Trade Union Membership, Australia*, Cat. No. 6310.0, Canberra
- Australian Bureau of Statistics (ABS) (2006) *Australian Labour Force Statistics*, Cat. No. 6105.0, Canberra
- Australian Council of Social Service (ACOSS) (2005a) *Facts about Single Parent Families and Welfare*, Information Paper 380, Sydney
- Australian Council of Social Service (ACOSS) (2005b) *Submission to the Senate Community Affairs Committee Inquiry into The Employment and Workplace Relations (Welfare to Work) Bill 2005*
- Australian Federation of Disability Organisations (AFDO) (2005) *AFDO Submission to the Inquiry into the Welfare to Work and Other Measures Bill 2005*, http://www.aph.gov.au/senate/committee/clac_ctte/welfare_to_work/submissions/sub22.pdf
- Australian Institute of Health and Welfare (2005) *A Picture of Australia's Children*, Canberra
- Department of Treasury (2005) *Workplace Relations Policy Announcement*, Treasury Minute, Canberra http://www.treasury.gov.au/documents/1049/PDF/Treasury_PR_11_Minute.pdf
- Department of Family and Community Services (FACS) (2003) *Income Support Customers: A Statistical Overview 2001*, Occasional Paper No.7, Canberra
- Harding, Vu, Percival and Beer (2005) *The Distributional Impact of the Proposed Welfare-to-Work Reforms Upon Sole Parents*, Report to the National Foundation for Australian Women, NATSEM, Canberra
- Harding, Vu and Percival (2005) *The Distributional Impact of the Welfare-to-Work Reforms Upon Australians with Disabilities*, Report to the National Foundation for Australian Women, NATSEM, Canberra
- Human Rights and Equal Opportunity Commission (2005) *Employment and Disability – The Statistics, National Inquiry into Disability and Unemployment*, Issues Paper 1, Canberra
- Leigh, Andrew (2005). *Does raising the minimum wage help the poor?* ANU Centre for Economic Policy Research Discussion Paper No. 501, Canberra <http://econrsss.anu.edu.au/pdf/DP501.pdf>
- Lloyd, Harding and Payne (2004) *Australians in Poverty in the 21st Century*, NATSEM, Canberra http://www.natsem.canberra.edu.au/publications/papers/cps/cp04/2004_007/cp2004_007.pdf