ADDRESS TO CATHOLIC SOCIAL SERVICES AUSTRALIA CONFERENCE

SYDNEY,MAY 3, 2011

Introduction

It is a great pleasure to be with you today. As a former CEO of the Society of St Vincent de Paul, I feel at home at a Catholic Social Services Australia Conference.

The objectives of welfare reform are to provide opportunities for people to participate in the economy, through education, training and jobs, and to reduce unemployment and reliance on income support.

Real welfare reform is always a balancing act between, on the one hand, carrots (investment in training and incentives for individuals and employers) and sticks (obligations on individuals).

I would like to explore three issues that are central to welfare reform.

Single integrated income support base payment

The current income support system is complex with many anomalies and disincentives to work. One of the hurdles to participation is the difference in payment levels between pensions and allowances.

For example, an individual on Disability Support Pension (DSP) receives $386 per week (including a pension supplement) compared to an unemployed person on Newstart Allowance who receives $246.

This is a difference of approximately $130 and a real disincentive for an individual to move from a pension into work. If the job fails, the individual goes back onto an allowance and is $130 a week worse off.

Currently there are 800,000 people on the Disability Support Pension. Of this group about 30% have a muscular-skeletal impairment and possibly could participate in the workforce through full-time or part-time work.

The Welfare-to- Work initiative under the Howard Government in 2005 tightened up eligibility criteria for the DSP. Individuals are now assessed as having severe physical, intellectual or physical impairments, based on an impairment table where they need to score 20 points or more; as well as being unable to work for 15 hours a week for the next 2 years.

Since 2005, 90,000 applicants for DSP have been rejected and moved onto Newstart Allowance.

To get more people with disability into work requires customised assistance. This means wage subsidies and sometimes workplace modifications for people with physical disabilities.

Disability Employment Service providers also need to convince employers they are good employees and not a worker's compensation risk.

A key recommendation of my Reference Group on Welfare Reform in 2000 was to introduce a single, integrated income support base payment to be introduced over time. In other words, to bring together the payment levels of pensions and allowances.

This addresses the problems of disincentive to work and also complexity of payments. The Howard Government did not implement it. The cost at the time was estimated to be $500 million.

It is interesting that ten years later the Cameron Government in the United Kingdom and the Key Government in New Zealand have introduced legislation to develop a single integrated payment level. These are both Conservative Governments and both are practising fiscal constraint, particularly in the United Kingdom following the Global Financial Crisis.

The Henry Report in Australia in 2010 also recommended that the payment levels of pensions and allowances be brought together over time.

In Australia this would mean that we would have a standard base-rate payment. People with disabilities would have add on modules for the costs of disability; sole parents would have add on modules for the costs of housing and childcare; and all looking for work would have a participation supplement to cover the cost of job search.

The question then arises: at what level do you set the base payment. I recommend setting it at a mid-point between the current pension and allowance levels. It would apply for all new applicants entering the income support system.

This would set new base payment at, approximately, $300 with add on payments for particular circumstances.

Mature aged workers

A group that requires special attention are mature aged workers over 50 years. The baby boomers now fall into this category.

Mature aged workers are often discouraged in their job search because of their age and lack of skills. Yet many want to continue to work.

They often have insufficient superannuation savings. The average 50 year old male currently has $135,000 and female $85,000 in superannuation. This is inadequate income if they are to live to an average of 80 years.

There is a need to provide training subsidies for these individuals to re-skill and remain in the workforce rather than to go onto a pension or allowance. There also needs to be incentives for employers to give them a job.

Some may want to start their own business.

They need to be able to access programs such as the New Enterprise Incentive Scheme (NEIS). NEIS participants are taught a Certificate 4 in Business Administration and learn practical business skills in finances, marketing, administration and business planning. They are mentored by local business people after they set up their business. NEIS has an 80% success rate.

Income management initiatives

In the words of the government, income management is designed to ensure that income provided to individuals and families is spent on priority needs and expenses.

50% of regular payments and 100% of lump sum payments are income managed. Funds are able to be spent on priority items using Basics Card, Centrepay or similar. There is also a matched savings for those who have a pattern of savings to receive matched contributions of up to $500.

Target groups include:

- disengaged young people on allowances for more than 3 of the last 6 months
- individuals aged 25 and above on specified payments such as Newstart Allowance and Parenting Payment for more than 12 months
- families referred by child protection authorities
- families and individuals assessed by Centrelink social workers as vulnerable due to financial crisis, domestic violence ore economic abuse.

I understand the need for income management to protect children and families at risk. For that reason the last two categories make sense to me i.e. those referred by child protection authorities and those assessed as vulnerable due to financial crisis or domestic violence.

However long-term sustainable change also requires case management, counselling and support services, access to child care, schools, training and jobs; and well run community stores.

I consider that the measures should be temporary until the family situation stabilizes.

There also needs to be evidence that income management and support services are working i.e. children are attending school, families are using health services, children are in child care, families are buying and eating healthier foods as well as paying for housing and utilities.

In other words the outcome i.e. protecting children and women, participation in child care, schools and health services, access to training or jobs, payment for food, housing and utilities justifies the introduction of income management.

Conclusion

Real welfare reform is a balance between investment in training and incentives, as well as obligations on individuals.

It is in contrast to the current welfare debate by both Government and Opposition which is tinkering around the edges of welfare reform. Extending the Work for the Dole, which is a very basic work experience program, is already available to job seekers. Insisting that young people with social or mental problems move to areas of high unemployment without adequate support and case management will not work. In the same way that extending income management to single, unemployed individuals will not enable them to access training and find jobs.

There is an excellent documentary on the global financial crisis titled “Inside Job”. It illustrates the greed of financial institutions in the United States and how lack of regulation in the USA almost destroyed the global economy.

Sometimes it seems that societies are quick to regulate the lives of powerless people. However they are afraid to regulate the powerful financial institutions that have the ability to destroy national and global economies.