

The background is a solid dark blue. Scattered across it are stylized human figures. Some are white, including a large one on the left, a pair at the top, a group of three on the left, a single one in the center, and a pair at the bottom. Others are teal, forming a large grid-like pattern on the right side of the page.

Participation Support for a More Equitable Society

Final Report of the Reference Group on Welfare Reform • JULY 2000

Reference Group on Welfare Reform

“Community, business and government working together”

Senator The Hon Jocelyn Newman
Minister for Family and Community Services
Parliament House
CANBERRA ACT 2600

Dear Senator Newman

On 29 October 1999, you commissioned us to provide advice to the Government on possible approaches to welfare reform.

In developing this Report, and its recommendations, we have drawn on a wealth of community input including submissions and consultations with members of the broader community and key interest groups.

On behalf of the Reference Group on Welfare Reform, I have pleasure in presenting our final report *“Participation Support for a More Equitable Society”*. It proposes for consideration a long term vision of a Participation Support System with its five mutually reinforcing features and recommends initial steps, as well as medium to long term recommendations to support the achievement of that vision.

Yours sincerely



Patrick McClure
Chairperson

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PART I

Introduction

Introduction

REVIEW PROCESS

On 29 September 1999, the Minister for Family and Community Services announced the Government's intention to review the Australian welfare system. The Minister appointed this Reference Group to consult with the community and provide advice to the Government on welfare reform. The Group's terms of reference and membership are at *Attachment A* to this report.

In March this year the Reference Group released an Interim Report that outlined a new framework for a fundamental re-orientation of Australia's social support system and sought feedback from the Australian community.

After the Interim Report was released, the Reference Group received over 300 written responses as well as verbal feedback from income support recipients, business and community representatives.

This Final Report presents our medium to long term recommendations. In addition, we set out some initial steps, which could be taken in the development of a new Participation Support System.

The Reference Group believes the full implementation of the new system may take a decade. Nevertheless, much can be done in the short term to improve the current system to encourage and facilitate participation.

THE NEED FOR FUNDAMENTAL REFORM

Trends

Australia is in the midst of a profound economic and social transformation. The consequences of this transformation require us to re-think and re-configure our approach to social support.

Disappointingly, the current social support system may be failing many of those it was designed to help.

Australia is in its eighth year of strong economic growth, yet joblessness, underemployment and reliance on income support remain unacceptably

high. Disadvantage is also concentrated increasingly in particular segments of the population and in particular localities. These are not problems being faced by Australia alone; they are being experienced in many comparable countries.

Over recent decades a variety of economic and demographic factors have combined to create the new and disturbing phenomena of 'jobless families' and 'job poor communities'. These unequal outcomes have generated the unacceptable prospect that significant concentrations of economic and social disadvantage might become entrenched.

In its analysis, the Reference Group focused on four trends (discussed more fully at *Attachment B*) that underpin the need for a bold change to our social support system:

- A growing divide between 'job rich' and 'job poor' households. There is strong employment growth in some areas, but high rates of joblessness persist in many regions and localities. In addition, too many children live in families with no parent in paid work.
- Labour market trends have brought changes in the balance between permanent full-time jobs and part-time and casual work, between male and female employment, between jobs in manufacturing and primary industry and jobs in service industries. Many of the new part-time jobs have been taken in households where there is someone already in employment, which contributes to the widening gap in the distribution of jobs.
- More people receive income support. Over the past thirty years, there has been a steady upward trend in the proportion of the workforce-age population receiving income support and other publicly provided assistance. Of special concern is the proportion of the population that depends on income support for the majority of their income.
- Job opportunities for less skilled workers have stagnated or declined, while technological change and the globalisation of industry and trade has increased the demand for highly skilled workers.

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This has been associated with a widening distribution of earnings.

Entrenched economic and social disadvantage

Without appropriate action now, Australia may be consigning large numbers of people to an intergenerational cycle of significant joblessness. Australia already has one of the highest levels of joblessness among families with children in OECD countries (OECD, 1998). In June 1999, about 860,000 children lived in a jobless household.

The available evidence suggests that children in families experiencing long term joblessness are more likely to rely heavily on income support as they grow up (Pech & McCoull, 1999).

Long term economic and social disadvantage has negative consequences for individuals, their families and the broader community. Lack of paid employment during the prime working years, and consequent reliance on income support, reduce current and lifetime incomes.

Participation in paid employment is a major source of self-esteem. Without it, people can fail to develop, or become disengaged from, employment, family and community networks. This can lead to physical and psychological ill health and reduced life opportunities for parents and their children.

In recent times, an unequal distribution of employment gains has also seen neighbourhoods with higher employment and income levels improve their position relative to neighbourhoods with lower employment and lower average incomes (Gregory & Hunter 1995).

Just as with jobless families, the problems facing job poor communities can be self-reinforcing. The most disadvantaged regions have poorer educational, social and transport infrastructure as well as reduced employment opportunities. Without intervention, the cycle of decline in disadvantaged areas may continue despite employment gains in the economy overall.

Suitability of existing arrangements

The current social support system has its origins in a fundamentally different economic and social environment when unemployment was low and generally short term and the most common family type was a couple with children and a principal male breadwinner. The growth of unemployment, the rising trend of lone parenthood and an aging population have made income support a less exceptional circumstance.

We have identified four particular shortcomings with the current social support system:

- Service delivery arrangements are fragmented and not adequately focussed on participation goals for all people of workforce age.
- There is an overly complex and rigid categorical array of pensions and allowances for people of workforce age.
- There are inadequate incentives for some forms of participation and inadequate rewards for some forms of work.
- The system does not provide enough recognition of participation.

PARTICIPATION SUPPORT SYSTEM

Overview

Central to our vision is a belief that the nation's social support system must be judged by its capacity to help people participate economically and socially, as well as by the adequacy of its income support arrangements.

Australia's social support system must do more than provide adequate levels of income support for people in need. It must ensure that people are actively engaged socially and economically, including in the labour force, to reduce the risk of long term social and economic disadvantage for themselves and their families. Many people will require support at different points in their lives and some may require it for longer periods. Whatever their circumstances, the

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social support system should seek to optimise their capacity for participation.

The Reference Group considers that a broad concept of economic and social participation can provide a positive underpinning for the Participation Support System.

This broad concept extends beyond the traditional focus on financial self-support and labour force status (employed, unemployed or not in the labour force) to recognise the value of the many other ways people can participate in society.

It is not possible, and probably not desirable, to draw a clear line between those activities that could be classed as economic participation and those that constitute social participation. Paid work has social value and unpaid work has clear economic value. All activities that build relationships with others have both economic and social dimensions and should be encouraged and supported.

Social participation, valuable in itself, can also enable people to develop skills that may be transferable to paid employment. For some people, therefore, involvement in voluntary work of various kinds might be an appropriate component of an agreed strategy to develop their capacity for economic participation.

This approach is intended to re-emphasise an important objective of our proposals for welfare reform - to achieve a more equitable distribution of employment, ensuring that long term jobless people are able to compete in the labour market.

There is a question as to when and in what circumstances people should be required to seek paid work. In our view it is reasonable to require people with capacity who are work-ready, are available for at least part-time work and have access to job opportunities to seek work that is suitable, having regard to their personal circumstances. We believe it is critical that a broader mutual obligations framework recognises, supports and validates voluntary work and caring, without prescribing any particular form of social participation.

Objectives

Overall, our goal is to minimise social and economic exclusion. Australia's success in doing this will be measured by the following three key outcomes:

1. *A significant reduction in the incidence of jobless families and jobless households.*
2. *A significant reduction in the proportion of the working age population that needs to rely heavily on income support.*
3. *Stronger communities that generate more opportunities for social and economic participation.*

Some of the factors that will be important in helping Australia achieve these outcomes fall outside our terms of reference. These include policies designed to support economic and employment growth and to avoid recessions.

Additional responsibilities for the whole community

One of the important principles that underpin our approach to welfare reform is that there are social obligations that apply to everyone. Alongside a growing emphasis on individual choice, we must also recognise the importance of obligations and responsibilities.

Social obligations extend beyond individuals to corporate entities such as business enterprises and trade unions. Businesses, for example, have obligations to their customers, their employees, and the community at large, as well as to their shareholders.

Meeting social obligations should not require purely altruistic behaviour or coercion from government and the regulatory framework. Social obligations, in general, confer substantial benefits on individuals and corporate entities. For example, enterprises benefit through employee morale, customer satisfaction and community respect, and a healthy social environment in which to operate.

The Reference Group has used the social obligations framework to develop a wide concept of mutual obligations. Obligations are reciprocal and they

Introduction CONTINUED

extend across the whole community, not just between government (on behalf of the community) and the individual in receipt of income support.

The Reference Group believes that there are clear obligations on other parties – individuals, businesses and communities. These obligations need to be reflected in the design of the new system (see *Part 2, Sections D & E*).

Business has an obligation to work with government, communities and individuals to generate more opportunities for economic participation. All these groups will need to be more active in identifying and developing opportunities for social participation.

We are pleased to note the evidence that business organisations recognise the need for enterprises to take on social obligations (Centre for Corporate Affairs in association with the Business Council of Australia, 2000).

One important method of meeting obligations to those in need is through social partnerships between business, government and community organisations. An advantage of social partnerships is that the providers of the associated training, counselling and work opportunities are in direct contact with those in need.

For this reason, *social partnerships*, as well as *mutual obligations*, is one of the five features of the Participation Support System. Both of these features of the proposed system are underpinned by the concept of social obligations.

Mutual Obligations

Our main reason for supporting a broad application of the mutual obligations concept is the long term benefits for individuals, families and the wider community.

The prospect of entrenched social exclusion faces only a small percentage of those who come into contact with the social support system. Most people will re-enter the paid workforce at an appropriate time through their own efforts or with minimal help.

The stark reality is that those who most need assistance are often those who have few opportunities to participate and are often the least motivated to pursue them. For this reason, the new system must engage people more actively, and to be successful that engagement must be reciprocal. Consequently, the Reference Group believes that some form of requirement is necessary (see *Part 2, Section D*).

In considering opportunities for economic and social participation, the Reference Group is mindful that some people in our community face structural or systemic barriers to participation, including discrimination and problems with access to appropriate services and support. Examples include:

- Indigenous people who have the highest rates of joblessness and economic disadvantage in Australia.
- People with disabilities who can face physical access problems to services and the workplace, as well as attitudinal barriers.
- People of diverse linguistic and cultural backgrounds can often face language barriers as well as differences in what is considered culturally appropriate.
- Mature age people may sometimes be regarded as ready for retirement when they would rather remain economically active into their sixties or beyond.
- Parents and carers need employers who recognise that they may face some limitations on their availability for work and provide family friendly employment conditions.

While the Reference Group believes that our vision of a participation support system is sufficiently robust to cater to the holistic needs of individuals, we also recognise that some complementary strategies will be required to address particular structural or systemic issues.

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Core issues

A participation support system along the lines we propose will build on the many worthwhile initiatives and pilot studies undertaken over recent years by government, business and communities. Nevertheless, full implementation will involve fundamental changes that give rise to many important issues.

In this report, the Reference Group deals with three central questions:

- *How should the current social support system be reformed to make it more effective in encouraging participation? Sections A, B & C in Part 2 of this document covering service delivery, income support, and incentives and financial assistance deal substantially with this issue.*
- *What are the obligations of government, business, community and individuals? Section D of Part 2 covering mutual obligations deals with this issue.*
- *How can more opportunities for economic and social participation be created for people receiving income support, especially those living in disadvantaged regions, beyond those factors that are largely outside our terms of reference such as the rate of economic growth? Sections D & E of Part 2, covering mutual obligations and social partnerships, deal with this issue.*

Five features of Participation Support

The Interim Report outlined five features of our proposed reforms. We remain convinced of the importance of all five. Each one of these is integral to our vision of a Participation Support System and they are mutually reinforcing. For our vision to be realised there will need to be progress in each of these areas.

- **Individualised service delivery.** Income support and related services will activate, enhance and support social and economic participation, consistent with individual capacities and circumstances. Service delivery will focus on meeting the needs of individuals and on helping them to identify and achieve participation goals. This will include greater emphasis on prevention and

early intervention to improve people's capacity for self-reliance over the course of their lives (*discussed in Part 2, Section A*).

- **A simpler income support structure** that is more responsive to individual needs, circumstances and aspirations. We envision a dynamic and holistic system that will recognise and respond to people's changing circumstances over their life cycle and within their own family and community context (*discussed in Part 2, Section B*).
- **Incentives and financial assistance** to encourage and enable participation. Social support structures will ensure a fair return from paid work, while maintaining fair relativities between people in different circumstances, and take account of the additional costs of participation (*discussed in Part 2, Section C*).
- **Mutual obligations** underpinned by the concept of social obligations. Governments, businesses, communities and individuals all have roles. Governments will have a responsibility to continue to invest significant resources to support participation. Employers and communities will have a responsibility to provide opportunities and support. Income support recipients will have a responsibility to take-up the opportunities provided by government, business and community, consistent with community values and their own capacity (*discussed in Part 2, Section D*).
- **Social partnerships** are a key strategy for building community capacity to increase opportunities for social and economic participation. We have identified four processes through which social partners may work to enhance community capacity: community economic development, fostering micro-businesses, community business partnerships and social entrepreneurship (*discussed in Part 2, Section E*).

CONSULTATIVE PROCESS AND FEEDBACK

The Reference Group has drawn heavily on the views and expertise of the hundreds of people and

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organisations that made contributions during the development of both the Interim and Final Reports.

We advertised for public submissions prior to developing our Interim Report and received over 360 from individuals and organisations. We met with some 30 peak organisations - representing business, service providers and welfare organisations.

The Reference Group also sought community feedback on the Interim Report through:

- Feedback questionnaires available on the Internet and distributed to all organisations and individuals who had made submissions prior to the development of the Interim Report.
- A series of commissioned focus groups with income support recipients.
- A series of commissioned focus groups with representatives of the community sector; employer and business peak bodies, academia and government.
- Bilateral meetings with key peak bodies and their officials.
- Participating in public discussions at conferences, meetings and seminars.

We were encouraged by the degree of community interest in and debate about our Interim Report.

Feedback from organisations and individuals revealed three main perspectives on the Reference Group's argument that Australia's social support system must be judged on its capacity to help people access opportunities for economic and social participation, as well as the adequacy of income support:

1. Poverty alleviation through provision of secure and adequate income support should be the pre-eminent goal of the social support system and the basis on which people would be able to participate socially and economically.
2. Agreement with the view that the key goal of the social support system should be to help people access opportunities for social and economic participation. This perspective held that such a

goal was related to citizenship and would enhance social cohesion while emphasising that adequate income support is also of fundamental importance.

3. Equal importance should be placed on the twin goals of adequate income and participation because they are linked and need to be mutually reinforcing, although recognising that they could sometimes conflict.

While we have not attempted to assess what represents an adequate level of income support, we emphasise the importance of maintaining adequacy. We note the strong community feedback on this issue and the Government's strong commitment to not reduce rates of payment. Our recommendations seek to enhance and complement the existing social safety net.

PART 2

Key features: discussion and recommendations

Key features: Individualised service delivery

A. INDIVIDUALISED SERVICE DELIVERY

Introduction

In a Participation Support System, service delivery will need to focus on individual capacities and outcomes, within the context of the family and community.

Encouraging greater participation will require an active engagement between service providers and clients. Providers will work with clients to develop their participation goals and capacities.

The current system, which uses income support payment categories as the basis for access to assistance, constrains the capacity of service providers to be flexible and responsive. It is also too fragmented, which can be confusing and confronting for clients.

There have been attempts over recent years to move towards a more individualised focus in service delivery, notably through Centrelink and Job Network.

Nevertheless, the design of the current system itself, particularly the focus on categories, is ultimately the problem and more fundamental changes will need to be made.

Interim Findings

In the Interim Report, the Reference Group drew attention to shortcomings in the current system that limit capacity to focus on individual outcomes and capacities:

- Assistance is too closely related to achieving short term outcomes for individuals rather than considering the costs of long term joblessness. Instead, the interventions that should be considered successful are those that achieve a balance between obtaining paid employment, and enhancing general quality of life and capacities for participation.
- Current service delivery practice has not placed the same emphasis on helping all people of workforce age to participate. For many people of

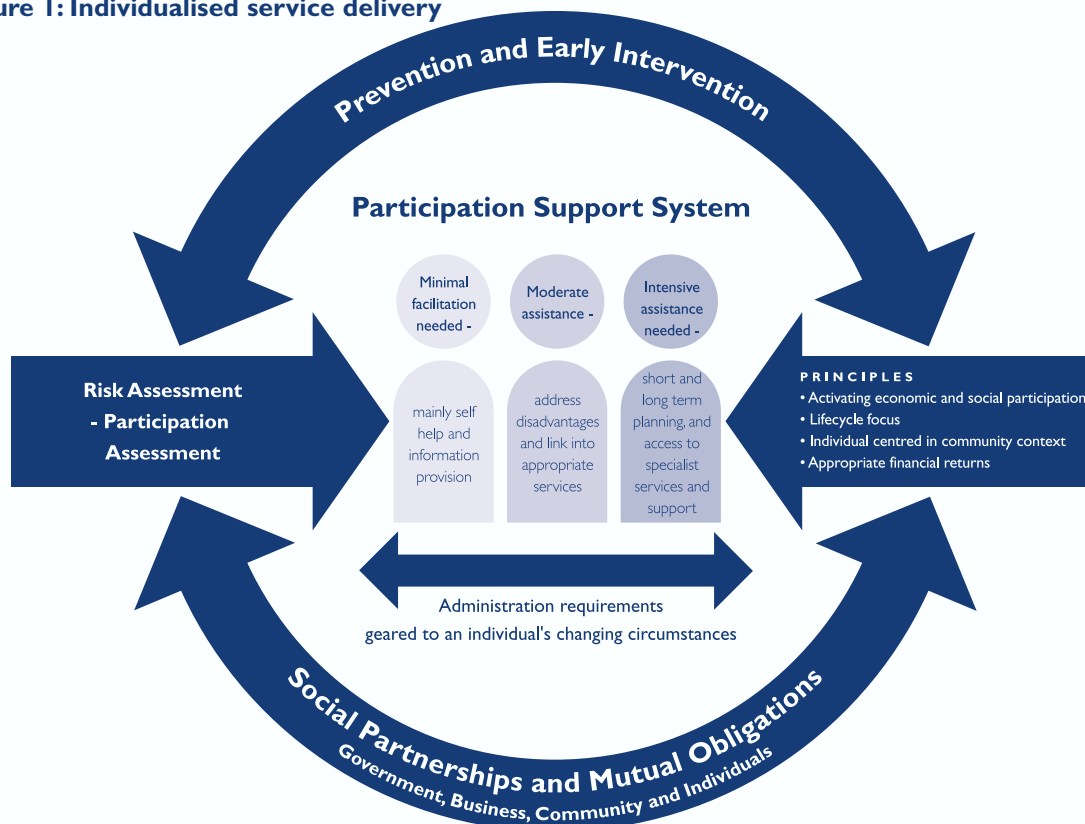
workforce age the objective of social and economic participation has been made subsidiary to that of timely access to adequate income support.

- Using categories to determine income support constrains individual access to services. Individuals have very different levels of need for assistance. Some can return to work with little or no specific intervention while others require more time and investment in improving their skills.
- From the individual's perspective, the linkages between services are not always clear and there can be gaps in assistance, as well as conflicting priorities. Difficulty can be experienced in obtaining more appropriate assistance, as an individual's needs change.
- People whose first language is not English may find it particularly difficult to identify appropriate assistance or to package services.
- Profiling tools can help tailor assistance, but current tools are designed to assess relative labour market disadvantage or capacity for work and are of limited use in assessing the need for assistance. They are not individualised needs assessment instruments.
- Insufficient attention is paid to prevention and early intervention that can build capacities for participation and self-reliance. Foundation skills for social and economic participation are developed from early childhood and throughout the school years. Relationship skills are also important for individuals when they participate in their family, community and work settings.

The figure on page 10, taken from the Interim Report, illustrates the way in which we envisaged an individualised service delivery system will address these shortcomings - through service interventions targeted to different individuals based on their risk of disadvantage and likelihood of a cost effective outcome.

Key features: Individualised service delivery CONTINUED

Figure 1: Individualised service delivery



Feedback and Discussion

Overview

In the feedback we received from the community, there was agreement that individualised service delivery was essential to the redesign of the social support system.

Support, however, was dependent on the new system meeting the need for quality staff (fully trained, accredited and reflecting the diversity of the customer group), sufficient staff resources, and the provision of adequate services. These qualifications reflected a general concern about the capacity and capability of the current system to deliver the complementary services and outcomes of a Participation Support System.

There was also support for improved linkages and coordination between services, the provision of effective review mechanisms, and refinement of assessment / streaming tools.

The provision of sufficient support services to enable

people to participate (especially disadvantaged people and those in rural and remote locations) was identified as a fundamental issue, along with increased access to the different levels of employment assistance.

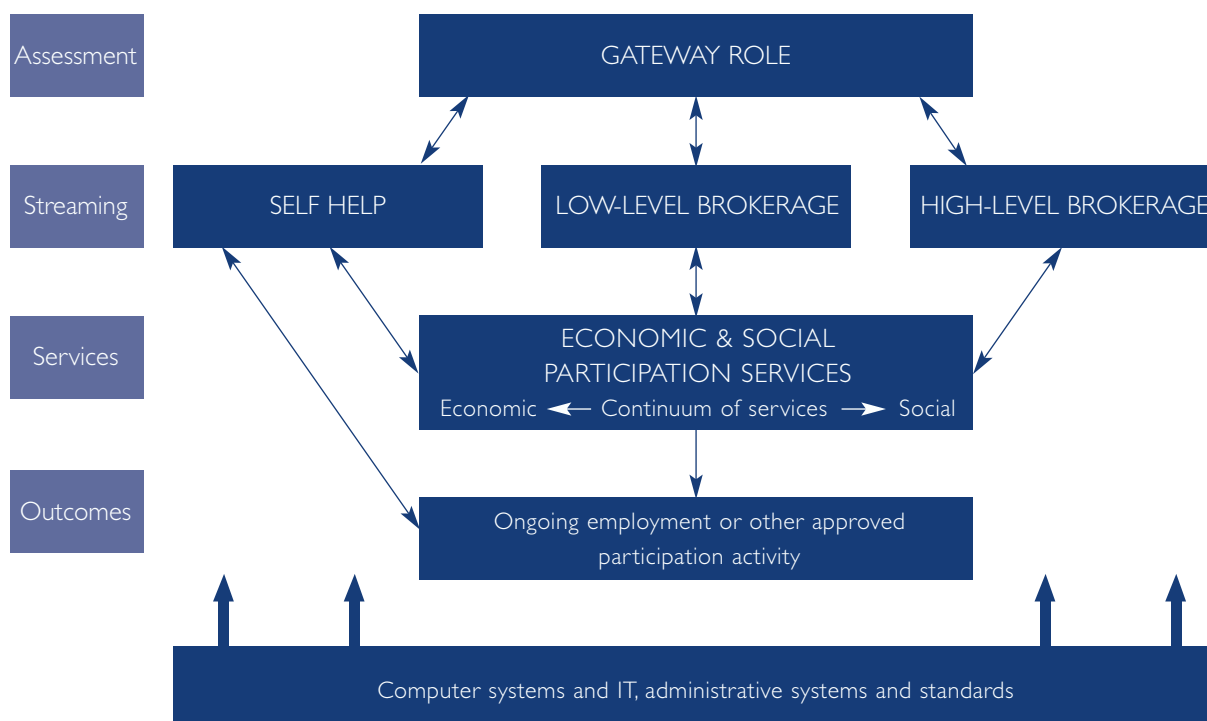
We accept that achieving our service delivery system is a major challenge. Nevertheless, we are convinced that a redesigned delivery system is a necessary foundation for reorienting the social support system to one that maximises people's opportunities and capacities to attain social and economic participation goals.

Proposed service delivery model

We have developed a model of individualised service delivery that can be implemented over the long term. It will be the Government's responsibility to determine the respective roles of government and non-government providers in our model, taking into account issues of funding models, cost effectiveness, governance, efficient

Key features: Individualised service delivery CONTINUED

Figure 2: Proposed service delivery system



contract design, risk management and accountability.

Our model incorporates a number of key design principles:

- Integrating income support and other services through the provision of a gateway to assistance.
- Streaming into different levels of service interventions based on an assessment of individual needs and capacities.
- Providing a range of mediating brokerage activities to help high-need people access and coordinate economic and social participation support.
- Linking services, brokers and assessment as part of the ongoing monitoring of outcomes and provision of a continuum of assistance that is responsive to changing needs.

The design of our model will need to be integrated with the other aspects of the Participation Support System:

- Expanded focus on jobless people and families (rather than just unemployed people receiving Newstart Allowance).
- Expanded mutual obligations framework of expectations and requirements.
- Improved incentives and opportunities.
- Simpler income support.
- Expansion of social partnerships.

A central gateway and assessment process

The Reference Group believes that a central gateway to service delivery is an important aspect of integrating access to income support and other services (employment and non-employment).

A central gateway will provide the linkages between income support provision (and any associated participation requirements), mediating brokerage roles and related service interventions. The gateway will ensure that immediate financial needs are met and enable an assessment to be made of a person's

Key features: Individualised service delivery CONTINUED

risk of long-term joblessness at the time they first claim payment, followed by streaming into different types and levels of intervention, including appropriate referral to brokers and services. In this way, the system will encompass early intervention strategies for all recipients of workforce age.

A systematic assessment process will need to be developed to ensure that service delivery offers targeted assistance based on an individual's needs, capacities and circumstances. The assessment model must include specification of the role of participation plans and incorporation of other aspects of the mutual obligations framework into the service delivery system.

Such a process will enable individuals with very different levels of need for assistance to be streamed into levels of service intervention based on their capacity for economic and social participation. People who would benefit in terms of an outcome and require additional assistance to navigate the system to access and coordinate participation support services would be identified and referred to brokers. This is essential if the new delivery system is to be tailored to individual needs and remain cost effective and efficient.

Using a redesigned assessment process, the gateway assessment role would:

- Determine entitlement to a participation support payment.
- Assess a person's risk of long-term joblessness.
- Identify appropriate participation requirements.
- Assess a person's relative labour force disadvantage and level of job readiness.
- Determine the type and level of intervention required (including brokers and economic and social participation support services).
- Refer people to brokers and service providers.
- Authorise participation plans, and monitor individual outcomes and fulfilment of participation requirements.

This assessment process would be more complex than under current arrangements, given the diversity of individual capacities and circumstances, and the range of participation options available. Therefore, we believe that more sophisticated assessment or profiling tools should be developed to assist in the assessment process, building on the current Job Seeker Classification Instrument (JSCI) and Work Ability Tables (WAT). Assessment tools need to take account of the risk factors associated with likely long-term reliance on income support payments in order to determine access to services.

Some people will need help to plan their participation goals and make informed choices about what participation activities may suit their needs and what services are available to help them achieve their goals. In other cases, an assessment will need to be made of the net present value of the cost of intervention with that of income support receipt over the long term. Therefore, the quality and knowledge of staff undertaking the assessment and brokerage processes are vital to the success of the new model.

In some complex cases, such as for people with disabilities or those with multiple disadvantages, the gateway agency will need to draw on the expertise of brokers and specialists in the assessment process. More detailed approaches to assessing the needs of people may be necessary to determine capacity to work and enable better identification and targeting of appropriate interventions. In some cases, a detailed assessment would consider a range of vocational, psychological, environmental, social and medical issues in examining an individual's abilities.

Streaming into appropriate levels of assistance

Under our service delivery model, people would be streamed into different levels of service intervention (based on the assessment process) to ensure assistance is targeted according to individual needs, circumstances and capacities, and is cost effective (in terms of returns on investment).

Key features: Individualised service delivery CONTINUED

The Assessment and Contestability Trial for People with Disabilities

The Trial will target a broad range of people with disabilities receiving Disability Support Pension and Newstart Allowance. It will test whether a new approach, including a more detailed assessment of an individual's capacity to work, leads to better targeting of existing interventions and better outcomes for the individual in terms of participation in the community and employment. The Department of Family and Community Services has engaged CRS Australia to conduct an assessment, including identifying capacity for work, designing a broad participation plan for trial participants, and referring participants to appropriate service providers for assistance. The assessors will also undertake a case-monitoring role where, in consultation with service providers, they will monitor the status and progress of participants during the period of the trial. The Trial will also test the capacity of the non-government sector to provide rehabilitation services in cases where rehabilitation is identified as the most appropriate intervention.

In the medium term, assessment at the gateway and streaming should not be on the current categorical basis, but relate instead to level of need and capacity to benefit, having regard to the life circumstances and capacity of each individual. Guidelines will need to be established in consultation with the community to ensure a consistent basis for assessment and referral. These guidelines should be reviewed regularly to ensure community expectations are met and the needs and circumstances of jobless people are appropriately taken into account.

The level of assistance provided needs to vary with appropriate levels of administrative oversight, for example, less intensive management for people who can self-help. There is a balance between the need for early intervention and prevention and the cost of

unnecessary interventions where people are able to find their own path to economic participation.

Notwithstanding this, early intervention for some people at risk of long-term joblessness will be a key goal of the new arrangements.

Levels of intervention

The level of service intervention, linking to both economic and social participation, would be a continuum including:

- *Self-help and information provision* such as personal computers, printers, touch screen units with job vacancies and photocopiers for people who are assessed as job ready, with information and minimal facilitation for those able to navigate available social and economic participation options. People with no participation requirements will be able to access self-help and information provision on a voluntary basis.
- *Low-level brokerage* for people who need to be linked to available services or require additional help with the planning process, if their needs and circumstances are not clear-cut. These services include Job Search Training with a Job Network member, the Jobs Pathway Program, Jobs Education and Training (JET) Program, pre-vocational training, literacy and numeracy programs, study (Year 12 and tertiary), career counselling, work for the dole, volunteering agencies, social work services, accommodation support services, emergency relief, family counselling, and access to child care opportunities.
- *High-level brokerage (individualised assistance)* for people who are not job ready or who have multiple barriers to participation. This may involve assistance to access and coordinate participation support from a range of programs. These services include Intensive Assistance in the Job Network, CRS Australia, the Community Support Program, vocational rehabilitation, open employment services, supported employment services, Job Placement Employment and Training program.

Key features: Individualised service delivery CONTINUED

We anticipate that the majority of participation support recipients (around 75 percent) will only need to be provided with information about the self-help facilities. This expectation reflects the fact that many people new to the system have recent labour force experience or they are already participating in appropriate activities.

The brokerage role, which provides assistance in navigating the system, will require a distinct set of skills and resources. Brokers will need to have an awareness of local conditions and the particular barriers faced by disadvantaged groups.

In some situations brokers will provide long term support and will need to understand the history of individuals, their needs and their changing circumstances. They will know what has been offered to people in the past and therefore how best to target assistance so that it is effective. In such cases, the broker will provide a detailed assessment of needs and circumstances. On the basis of this assessment the broker may provide assistance with participation planning, access and service coordination, individualised support, mentoring and monitoring of outcomes.

Streaming of people into the appropriate assistance level is important to encourage self-reliance and self-help, and to develop their capacity for self-help, where possible.

Our vision is for a service delivery model that is enabling, rather than a system that encourages reliance. An important part of building individual capacity and working towards self-reliance is empowering and enabling people to identify their hopes and aspirations, and negotiate the steps they need to make in order to participate. This involves the individual working with the assessment agency and, as appropriate, brokers and other service providers, to develop participation plans and making informed decisions about the most suitable type of service intervention.

Provision of support services

An individualised service delivery model will need to

be capable of taking into account regional variations and issues of locational and other disadvantage. For example, indigenous people and people of culturally and linguistically diverse backgrounds require modes of delivery which are culturally appropriate, provide good access to isolated communities and take account of the specific community and family context in place.

We believe there is a need to identify gaps in service provision and to develop a network of economic and social participation services to meet expected demand. Where it is not feasible to build service provision in certain locations, opportunities for use of technological solutions need to be explored.

Specialist employment services

We understand that there may be difficulties in achieving individualised service delivery within the current structure of separate mainstream and specialist employment service markets. For example, the current structure of Job Network and Specialist Disability Employment Services results in people being unable to move between these services according to need, and inadequate servicing of people who are not catered for by either market. We, therefore, believe that the current structure of service provision programs needs to be examined and options developed that ensure barriers are broken down so people can move more easily between programs as their circumstances change.

Childcare

Access to affordable, quality childcare is essential to enable parents to undertake either paid or unpaid work, or otherwise engage in social participation activities in the community. Access to formal childcare places is also a crucial element of early childhood intervention strategies, enabling children from disadvantaged families opportunities to receive appropriate developmental support.

The Family Crisis Child Care Pilots, now being funded in four States, are designed to assist families who are in extreme crisis, such as families in which parents are drug and alcohol dependent, children whose parents are deceased or terminally ill, families undergoing stress or breakdown in family

Key features: Individualised service delivery CONTINUED

relationships or parenting problems. The projects aim to bring children with particular needs into mainstream childcare programs, at no cost to the family where cost would be a barrier. With their children in suitable childcare, the parents will be able to access family support services such as rehabilitation, parenting skills training and legal advice, knowing that their children are being well cared for. Providing special programs, or guaranteed places, for children from disadvantaged families could be one way of trying to break the cycle of disadvantage experienced by some families.

The Stronger Families and Communities Strategy includes initiatives to fund communities with developing innovative ways to strengthen family functioning (including early childhood and parenting), and expansion of parenting and family support services and activities.

The JET Program has been very successful and popular with parents. Its expansion to enable more parents to access the program was supported in the community feedback.

We support these directions, but believe there would be benefits in refocusing the JET program on achieving specific outcomes for participants, perhaps through an outcome-based funding model. In this way, JET participants would receive greater ongoing support from their personal adviser once they had commenced an activity. The importance of providing such support even after someone has returned to work was mentioned in community feedback. Improving the marketing of the program is also important.

Public transport

Access to affordable, regular and safe public transport is essential to help people take up opportunities for participation. People on low incomes are especially reliant on public transport. For those who live in outer suburban or regional areas, access to public transport can be intermittent or non-existent. Some areas are only serviced by private bus companies, with limited provision for those on low incomes to benefit from transport subsidies.

People with limited access to reliable transport services can also spend a disproportionate amount of time travelling to and from work or other participation commitments. We believe that ease and time of travel should be a consideration when enforcing participation requirements.

Housing

It is important that housing is not a barrier to social and economic participation, and that housing policies, both public and private, support people's ability to find, access and take-up paid work. Under an individualised service delivery model, consideration will need to be taken of people's housing situations and needs in the assessment and streaming process. For example, high-level brokers may need to help address a person's housing needs as part of the assistance provided to improve their capacity to participate.

The Reference Group also believes that more should be done to encourage community development within public housing estates. This could be achieved through provision of public and community housing in areas of high employment and government support and encouragement of private investment to develop economic opportunities in disadvantaged communities, to maximise the use of existing housing stock.

A dynamic and responsive system

The new service delivery model will recognise and respond to an individual's changing circumstances and capacities over time, and consequently changing outcomes for individuals. Follow-up by the gateway agency will be necessary to ensure that:

- Progress towards identified outcomes is being made, following referrals and service intervention.
- Participation obligations are being fulfilled for the purpose of income support entitlement, and reflect changing needs.
- Aspirations are captured and reflected in formal participation requirements and ongoing decisions about the cost-effectiveness of further service provision.

Key features: Individualised service delivery CONTINUED

Therefore, the new system needs to include effective monitoring of outcomes from interventions, enabling it to become more responsive to the diversity of individual circumstances and needs; as well as feedback loops between service providers, brokers and the gateway agency.

Underpinning the successful monitoring of outcomes is the establishment of linkages between service providers, brokers and assessment and referral agencies. Linkages between different service providers and programs will provide a continuum of assistance for individuals across service sectors and over time (as needs change).

There are many existing programs that meet the needs of a variety of individuals. It is important that a new model of service delivery recognises and builds on existing programs, and develops strong linkages and cross referrals between programs. In this way, the system can become more responsive to the wide range and changing nature of needs and circumstances.

Technological support

In the long term, the development and implementation of an integrated IT system will be necessary, encompassing the whole participation support system. There are benefits in exploring either the development of a central database or effective linkages between different information systems, linking income support receipt, participation plans, job readiness assessments, needs assessments, referrals, and service intervention outcomes. Such a system may provide the essential link in an individualised service delivery model to achieve improved targeting of assistance and ultimately improved outcomes. Of course, consideration will need to be given to privacy under such systems.

Technological solutions in the current environment could offer an integrated data holding on the progress of individuals within the participation support system. Issues that would need to be considered in selecting a specific approach include

questions of who should access the system and for what purposes, the storage capacity and systems availability required, and the costs and extent of automation required.

Before such an integrated system could be put in place, some significant issues would need to be settled such as:

- Formal contractual arrangements to cover protection, integrity and maintenance of sensitive personal information.
- Agreed protocols for managing relationships between purchasers and providers in relation to customers, transactions and data.
- Data storage capacity subject to public standards and legislation on its use.
- Leveraging from existing technology, experience and skills of service providers and partners.
- Cost and availability of software and access to underlying information and communications infrastructure.

Recommendations

Medium to long term

AI Implement a new individualised service delivery system based around the following:

- Effective coordination between Government departments and across all levels of government and the social support network.
- Integration of income support and other services through a central gateway to brokerage and service delivery.
- Streaming of people into different levels of service interventions based on an assessment of individual (not categorical) needs, capacities and circumstances, using high quality assessment staff and sophisticated assessment or profiling tools that take account of the risk factors associated with likely long term joblessness.

Key features: Individualised service delivery CONTINUED

- Linking services, brokers and the assessment role as part of the ongoing monitoring of outcomes, enabling the system to be responsive to diverse circumstances and needs.
- Provision of a continuum of assistance through further development of the network of economic and social participation services and breaking down the barriers between service delivery markets to ensure that people can move easily between services as their circumstances change.
- An integrated IT system encompassing the whole participation system, providing the link between improved targeting of assistance and outcomes.

Initial steps

A2 Detailed design of an individualised service delivery system including:

- The assessment and streaming, broker and service provision roles, with consideration of the respective roles of government and non-government agencies.
- The role and specification of participation plans.
- Systems for monitoring outcomes from interventions, and feedback loops between service providers, brokers and the gateway agencies.
- A system to assemble data from service interventions to be publicly available for research purposes in order to build the research base on the outcomes of different interventions for people with different characteristics.

A3 Develop, through a consultative process with key stakeholders, and trial more sophisticated assessment or profiling tools to assist in the assessment process and determine access to services, building on the current JSCI and WAT tools, and taking account of the risk factors associated with likely long term income support reliance.

A4 Commonwealth and State Governments identify the gaps in service provision and break down the current barriers between service provision markets so people can move more easily between programs as their circumstances change.

A5 Expand the range of assistance for mature age people who have become or are at risk of long term joblessness. Assistance measures might include financial counselling, personal counselling, access to Job Network services and other relevant programs and assistance for return to work needs.

A6 Solicit through the Job Network and other employment assistance programs, employers and organisations that are prepared to offer work experience for mature age jobless people (including voluntary work), perhaps with a focus on small business.

A7 Expand and market the JET program to meet expected demand under a mutual obligations framework for parents and change program funding to ensure long-term outcomes for parents are achieved.

A8 Develop a better means of assessing the capacity of people with disabilities to participate in employment and other activities. Consideration should be given to the results of the Government's Assessment and Contestability Trial for People with Disabilities and the limitations on both the effectiveness of the Work Ability Tables and the appropriateness of utilising treating doctor's opinions in the measurement of work capacity.

A9 Move towards a significant change in the framework of employment services to people with a disability, including a greater focus on outcomes, earlier intervention, better case monitoring and support for job seekers with a disability. The evaluation of the Government's Assessment and Contestability Trial for People with Disabilities should inform this process.

A10 In consultation with indigenous communities, trial innovations in service delivery for Indigenous people. These might include culturally and locationally appropriate approaches in the context of individualised service delivery, contracting, training and supporting skilled local community-based organisations to perform one-to-one servicing, and use of video-conferencing and other telecommunications technology to support the one-to-one contact model.

Key features: Individualised service delivery CONTINUED

A11 Further investigate ways in which children from disadvantaged families can be assisted via access to quality child care, taking account of the outcomes of the Government's Family Crisis Child Care Pilots.

A12 In consultation with ethnic communities, trial innovations in service delivery for people of culturally and linguistically diverse backgrounds. These might include culturally and locationally appropriate approaches in the context of individualised service delivery, contracting, training and supporting skilled local community-based organisations to perform one-to-one servicing, and use of video-conferencing and other telecommunications technology to support the one-to-one contact model.

A13 Commission regular evaluations of service interventions using the data made available under recommendation A2 above.

Key features: Simple and responsive income support structure

B. SIMPLE AND RESPONSIVE INCOME SUPPORT STRUCTURE

Introduction

In a Participation Support System, the income support structure needs to:

- Be as simple as possible (while taking into account differences in needs).
- Be able to respond to people's changing circumstances within their families and communities.
- Provide strong encouragement for economic and social participation according to people's capacities and circumstances.

A simple and responsive income support structure would complement the individualised service delivery approach described in the previous section.

A major attraction of a simplified income support structure lies in the greater capacity to respond to individual needs and to deal more effectively with those needs over the long term.

The Reference Group recognises that fundamental reform of the income support structure is potentially very costly and raises a range of challenges about how best to bring payments at different rates with different means tests into a more integrated system.

Another important issue that will need to be addressed in moving towards an integrated system is how to treat full-time employees and the self-employed, who are eligible for some payments in the current system but not others.

We support the Government's position that there should be no reductions in existing pensions and allowances. We stress that changes to the payment structure should not be undertaken for the purpose of reducing expenditure on income support (except in so far as the new system helps people replace income support with employment income). Nor do we advocate moving away from a system based on relative need.

We are not convinced, however, that the current structure of rates and assistance necessarily captures all of the important differentials in need. For this reason, we believe there is merit in revisiting the rationale that underlies the current rate structures and exploring possible alternative frameworks.

Interim Findings

Overview

In the Interim Report the Reference Group found that the:

- Current income support system is overly complex and relies heavily on assumptions about capacity and behaviour that are now questionable.
- Categorical structure allows limited flexibility to respond to the diversity of individual circumstances or to people's changing circumstances.
- Pension / allowance divide causes difficult life transitions and creates unintended incentive and disincentive effects.

The Reference Group suggested that an integrated payment for all adult people of workforce age would simplify income support arrangements significantly. The most radical approach to reform would be to do away with the current income support categories and have one integrated payment structure for people below age pension age.

This would raise considerable policy challenges and would be potentially very costly to introduce quickly:

- Coverage of the low-income population would almost certainly be broader than under existing arrangements. While it would be possible to exclude from eligibility some employment categories (such as full-time employees or self-employed people) this would be counter to the logic of providing support on the basis of need to all those undertaking agreed forms of participation.
- Moving towards an integrated payment would require integration of pensions and allowances into one system, which is likely to be difficult to achieve quickly.

Key features: Simple and responsive income support structure

CONTINUED

- Interactions with other parts of the social support system (for example, family and child care assistance) would also need to be taken into account.

Nevertheless, the whole system could be redesigned to provide an ideal to work towards in an incremental way. This would have a rate structure that embodied appropriate relativities between people with varying needs and income test structures that both encouraged participation and maintained fair relativities between people with different patterns and levels of earnings.

There are a number of areas in which action could be taken to reduce complexity and/or improve commonality across the income support system. Some payments with similar eligibility criteria (for example, the variety of allowance payments for older jobless people or adult student and unemployment payments) could be rationalised into one.

People who participate consistently with their circumstances and capacities would be eligible for participation support including a basic (means tested) common payment, plus various additional needs based payments for factors associated with additional need. The broadest coverage would be provided by a payment available to all people of workforce age, subject only to their meeting a minimum participation requirement and tests on their income and assets. This would, in principle, include employed and self-employed persons as well as unemployed persons and others outside the labour force who were considered to be participating in an appropriate way (for example, caring for children or people with disability, or unable to work due to disability).

Complexity in the existing structure

The box on the next page illustrates the complexity of the existing income support system with its many differences in rates and means tests across payments for people of workforce age.

There are also differences in entitlement to needs-based add-ons, concession cards and indexation arrangements. For example, people receiving pensions

are entitled to telephone allowance and pharmaceutical allowance, while those receiving allowances and student payments are generally not. Rent Assistance is payable to pensioners, allowees and some Youth Allowees but not to people receiving Austudy Payment.

Feedback and Discussion

Overview

Many respondents to the Interim Report noted the complexity of the existing system and the value of simplifying it.

This support was generally contingent, however, on more detail about payment rates, means tests and mutual obligation requirements. In addition, a simplified system should be based upon a clear legislative framework setting out payment rates, indexation arrangements and participation requirements.

There was also a concern that payment levels should not be reduced. Many people expressed the view that simplification should be achieved only by increasing allowance rates to pension levels.

Other respondents argued that a simple system would not adequately recognise differentials in need arising from factors such as disability or lone parenthood. In many cases, this concern arose from a mistaken assumption that our proposal was for a single rate of payment, rather than for an integration of pensions and allowances into one payment structure.

There was strong support from disability peak organisations for a structure that would provide a supplement to cover the costs of disability. Such a supplement could be payable on top of basic income support to people either receiving income support or in the workforce who have high non-discretionary costs such as transport, aids and appliances, pharmaceuticals and care as a consequence of their disability.

Treatment of full-time employees and the self-employed

In the current allowance system a person's entitlement to income support is exhausted at an income level well below minimum award wages for

Key features: Simple and responsive income support structure

CONTINUED

Current payment rates and income tests

The current system of pensions, allowances, Austudy and special benefits contains the following main rates of payment (Table 1) and income tests (Table 2). This list is not exhaustive. Payments in respect of children are not included in these tables, as they are made through the family assistance system.

Table 1: Payment rates (\$ per fortnight)

Customer characteristics		Pension ¹	Allowance ³	Austudy ¹¹	Special ¹²
Single under 18, no children	at home	233.40 ²	153.90 ⁴	—	153.90
	away from home	360.60 ²	281.10	—	281.10
Single 18-20, no children	at home	264.50 ²	185.00 ⁴	—	185.00
	away from home	360.60 ²	281.10	—	281.10
Single 21+		386.90	344.90 ^{5,6,7}	281.10	344.90
Lone parent		386.90	373.00 ⁸	368.30	373.00
Partnered, no children	under 21	322.90	281.10	—	281.10
	21 plus		311.10 ⁹	281.10	311.10
Partnered with children		322.90	311.10 ¹⁰	308.70	311.10

¹ Only Disability Support Pension recipients receive age-related payments. Other pension recipients receive \$386.90 and \$322.90 if partnered.

² Disability Support Pension recipients receive this amount which includes Youth Disability Supplement of \$79.50.

³ Mature Age Allowance granted before 1/7/1996 and Mature Age Partner Allowance are paid at pension rate.

⁴ Unless considered independent while living at home.

⁵ \$373.00 for Newstart Allowees after 9 months, if aged 60 or over.

⁶ For those aged 21 and over special rates apply to long-term unemployed commencing study and migrant English students (\$227.20 if single and living at home, \$341.40 if single and living away from home, and \$308.70 if partnered with no children).

⁷ Except for Youth Allowance of up to \$281.10 for independent or \$185 at home².

⁸ Except for Youth Allowance of up to \$368.30.

⁹ Except for Youth Allowance students of up to \$281.10.

¹⁰ Except for Youth Allowance of up to \$308.70.

¹¹ Aged 25 and over (otherwise receive Youth Allowance).

¹² Payment rates for Special Benefit are the same as allowance rates, but income test differs (see below).

Table 2: Income tests (\$ per fortnight)

Income test features		Pension ¹	Allowance ^{2,3,4,5}	Austudy	Special
Free area					
	Single	\$106.00	\$62	\$236	
	Couple (each)	\$94.00	\$62	\$236	Nil
	Each child	\$24.60	—	—	
Taper rate		40% (20% for each partner in a couple)	50% \$62 - \$142 ⁶ 70% over \$142 (25% and 35% for each partner in a couple)	50% \$236 - \$316 70% over \$316	100%
Other features		Joint income test for couples if at least one partner is a pensioner:	70% taper for income of partner above \$530 ⁷ and higher in some cases	Students may accumulate unused free area in income bank.	Payments may reduce if in receipt of free board or other assistance

¹ Permanently blind Disability Support Pensioners are exempt from the income test.

² Parental income test applies to Youth Allowance recipients if not independent.

³ Youth Allowance students use the Austudy income test.

⁴ Partner Allowance uses special benefit income test if partner is receiving Special Benefit.

⁵ Mature Age Allowance granted before 1/7/1996 and Mature Age Partner Allowance use the pension income test.

⁶ Except for Parenting Payment Partnered, 50% \$62 - \$245 and 70% over \$245.

⁷ If partner is a pensioner, income for partner and customer is added together and halved. This amount is the customer's income.

Key features: Simple and responsive income support structure

CONTINUED

full-time employees. This relationship between the income support cutout point and low wages could be threatened if income support arrangements were liberalised and/or real full-time award wages fell. Incentives for people to work full-time could be worsened, unless full-time employed people were brought more fully within the scope of the income support system.

While low-paid, full-time employees cannot receive income supplementation through unemployment payments (because of both the eligibility criteria and the structure of the income test), they can do so if they are eligible for a pension payment. We note that the recent (July 2000) introduction of a 40 percent taper into the income test for pension payments will increase the potential for some full-time employees to receive a part pension. For example, about one third of full-time employed lone parents with children under 15 years have an income below the new pension cutout point.

In the Interim Report, the Reference Group argued that while it would be possible to exclude from eligibility some categories (such as full-time employees or self-employed people), this would be counter to the logic of providing support on the basis of need to all those undertaking agreed forms of participation. Full-time employment is something to be encouraged and we are concerned that excluding any lower-income employed person from eligibility could send the wrong signals.

Making all full-time, lower-income employees eligible for basic participation payments would represent a very significant expansion of the role of the income support system. There is a need to fully evaluate the costs and likely behavioural implications of any such proposal and to engage in wide community consultation, before proceeding with it. In the meantime, there are other ways to supplement the wages of low income workers, which are discussed in the next section on Incentives and Financial Assistance.

A related issue is whether people who are self-employed full-time should be eligible. Logically they should be included but there would be some difficult

issues associated with monitoring their mutual obligations, auditing their declared income etc. Consideration will need to be given to whether and how they could be included effectively.

There has also been an increasing incidence of part-time employees receiving part-benefits. As it is desirable for people to increase their hours of work and to progress from part-time to full-time work, it is essential to ensure that the incentive structure supports this progression. We discuss this issue more fully in the section on Incentives and Financial Assistance.

Adequate support and incentives to work

The issue of adequacy and the safety net role of the social support system have been raised in many submissions and representations to the Reference Group. Accordingly, we make the following observations:

- One of the main points made in many submissions about adequacy was the cost of searching for or preparing for paid work. Our proposal for a participation supplement to assist with this would, therefore, represent a significant bolstering in the adequacy of income support payments.
- We note and endorse the Government's commitment not to reduce existing rates of income support.
- In considering adequacy issues, the Government will need to achieve both adequacy of payments for people outside of the paid workforce and the benefits of financial rewards for people taking up paid work. To the extent that government wishes to improve incentives for paid work, additional investment in income support should be focussed on increasing in work or return to work benefits, rather than out of work benefits. This is an issue we return to in the section on Incentives and Financial Assistance.
- Our vision is of an integrated Participation Support System that provides strong incentives to paid work for all people of working age who have the capacity to work and enables people to participate both economically and socially. The means tests for

Key features: Simple and responsive income support structure

CONTINUED

various elements would be designed to avoid stacking of withdrawal rates.

Integrated payment structure

A simpler approach than the current pension / allowance divide would be to adopt a modular construction of the income support payment rate. This could include a standard base rate of payment plus add-on modules to address various additional needs. Examples of needs that could form the basis of such add-on payments are:

- The costs of children - additional payments for children (already provided through the Family Tax Benefit (Part A)) are sometimes not thought of as part of the mainstream income support system, as they are available to income support recipients and low income working families alike.
- The extra cost of living as the only adult in a household (with or without children) This would recognise diseconomies of scale in the costs of housing and fixed household overheads (that is, such costs per person diminish when two or more adults share accommodation).
- Any additional costs of lone parenthood or being a single income family - currently provided through Family Tax Benefit (Part B).
- Additional costs of childcare, currently provided through Child Care Benefit.
- Housing costs above some specified level. This could be limited to private renters, through Rent Assistance, as at present.
- Costs of disability.
- Remote area costs.

All of the above are already reflected, to some extent, in the current structure of basic and/or supplementary payments. There are various other small allowances that currently exist (eg pharmaceutical allowance, telephone allowance) which could, in principle, be integrated into the system.

We are also attracted to the idea that people receiving the basic income support payment could

also be given access to a fortnightly Participation Supplement. The main purpose of this would be to meet costs of economic participation over and above those that might be expected to be met from the basic payment and needs based additional payments. For a more extensive discussion of this idea and the issues involved, see the following section on Incentives and Financial Assistance.

Income tests

Current differences between the income tests for pensions and allowances are sometimes justified on the basis that pensioners are generally expected to work part-time if at all, whereas people on unemployment payments are generally expected to seek full-time work. As we have noted, this distinction has become increasingly difficult to maintain given the diversity of labour market opportunities and behaviour and the fact that many people subject to the allowance income test are now exempt from any expectation to seek work.

While it would be possible to retain some differences in income test treatment on the basis of differences in participation requirements, this would add complexity and make for difficult transitions as people's expectations adjust over time. Another possibility would be to reserve a more lenient income test for people with a permanent limitation on their capacity for full-time work. However, again there could be some difficulty in justifying very different treatment either side of the demarcation line.

Other issues

Other issues that would need to be settled in designing a simpler social security system, and where greater uniformity of treatment would be desirable, include the taxation treatment of the basic rate and add-on components and indexation arrangements:

- Most basic income support pensions and allowances are taxable, although Disability Support Pension and some Wife Pensions and Carer Payments are not. Add-on payments are generally not taxable.

Key features: Simple and responsive income support structure

CONTINUED

- Taxable pensions attract more generous taxation rebates than allowances.
- Rates and some parameters (eg income test free areas) for different payments are currently indexed on different bases and at different times of the year.

Recommendations

Medium to long term

B1 Implement, in managed stages, an integrated payment system, which provides adequate income support and incentives for participation including:

- A common base payment for all eligible persons.
- Needs based additional payments (according to different family circumstances, costs of disability etc).
- Participation supplements to assist with the cost of achieving economic participation.

B2 Bring payment withdrawal rates for a participation support payment together to achieve the best balance between targeting assistance to need and providing incentives for self-reliance and taking account of likely impacts on labour force behaviour.

Initial steps

B3 Develop a participation support payment structure including:

- Simulation and costing of alternative approaches, including likely behavioural effects on labour supply, and the feedback effects to the Budget and on income distribution.
- Consultation with key interest groups.
- Input from relevant academic and policy experts.

B4 Reconceptualise existing income support payments for people of workforce age as 'participation support payments' to ensure a more consistent approach to income support for people of workforce age (recognising individual capacity and circumstances).

B5 Integrate existing payments (Newstart, Mature Age Allowance, Widow Allowance and Partner Allowance) for mature age jobless people into a single payment to simplify existing arrangements and

link income support and participation assistance more closely.

B6 Simplify and rationalise Newstart Allowance, Sickness Allowance and Austudy into a single payment for adults who are in the labour market and/or education. This would replicate the introduction of Youth Allowance for younger unemployed people and students, simplify arrangements and provide greater consistency of treatment across these payments.

B7 Further investigate cash and/or in-kind assistance for the costs of disability, as part of the development of a participation support payment.

Key features: Incentives and financial assistance

C. INCENTIVES AND FINANCIAL ASSISTANCE

Introduction

An effective Participation Support System must send strong positive messages about the benefits of economic participation.

Incentives have an impact on economic participation and in the current system some people are either disadvantaged or perceive a disadvantage, from joining or increasing their participation in the paid workforce.

The Australian social security system is tightly targeted to people in need, which is often seen as a major strength in terms of a sustainable cost to taxpayers achieved by providing limited assistance to those who can look after themselves.

Nevertheless, targeting and the withdrawal of incentives and assistance can discourage people from joining the paid labour force. Therefore, it is important to explore ways of increasing the incentives for economic participation.

In addition to incentives for paid work, the issue of financing the costs of preparing and searching for work requires consideration.

Interim Findings

In the Interim Report the Reference Group found that:

- The greater the assistance to those out of work relative to income from work, and the fewer requirements placed on recipients, the more likely it is that people will remain on income support for long periods.
- The impact of income tests for various payments, their interaction with the tax system and loss of other benefits can lead to a situation where there is little increase in disposable income when moving from income support to work or increasing hours of work.
- The costs of participation (particularly child care, housing and transport) may act as a significant disincentive.

- The complexity of the social support system may also cause uncertainty about the financial benefits of paid work. The limited research available suggests that social security customers generally believe that the financial return from working is worse than it is in practice.
- Major changes to the social support system to improve financial incentives to work can be very costly and their impact on economic participation can be uncertain.
- A phased approach to the problem of disincentives might be appropriate, with priority being given in the short-term to addressing the worst incentive 'black spots', in the light of the budgetary costs involved.
- There is a case for piloting the use of participation supplements to contribute to the costs of preparing or searching for work.

Feedback and Discussion

Overview

Overall, there was strong support for improving financial incentives and ensuring people have the resources to take up participation opportunities.

Within the area of improving financial incentives, the strongest support was for increasing the net returns from paid work. There was general support for a lower taper rate on allowances and the Youth Allowance parental income test, increasing the returns from part-time work, and improving the treatment of income from casual work. Many of the income support recipients consulted believed that paid work was not a financially viable alternative to income support.

Some community groups, however, objected to the implication that people needed financial incentives to work, arguing that people were already highly motivated to work and that other issues were affecting people's ability to participate, such as a lack of opportunities.

A second priority area, in the view of respondents, is the cost of participation, with strong support for

Key features: Incentives and financial assistance CONTINUED

lowering the impact of increased income on public housing rents, and providing assistance with the costs of transport, child care and training. While the participation supplement was welcomed, support was often qualified on the basis that it should not be a substitute for increasing the level of allowance payments.

Income support recipients also cited the cost of participation as a major barrier. These costs were primarily related to the use of formal childcare, transport costs (particularly for people in rural and regional areas and people with a disability), and start-up costs associated with employment or study. In regard to the latter, many people were not aware of the assistance currently available or did not receive assistance at the right time. Recipients also argued strongly for the retention of a concession card if they took up paid work. Many were not aware that such a provision was already available.

While respondents supported improvements in incentives and financial assistance for economic participation, there was little discussion about their priority relative to expenditure in other areas, such as service provision. There was a view in some responses, however, that investing in services and infrastructure (such as training, childcare, education and community services) was more important than funding small individual participation accounts.

Improving incentives for paid work

There are two possible broad approaches. One, which we do not favour, is to reduce the level of benefits paid to people when they are not working.

The second approach is to increase the amount of income received when a person is working. This can be done by increasing people's earnings (for example, by increasing the minimum wage), by cutting taxes (thus increasing people's take-home pay) or through in-work benefits that offer additional assistance to low-paid workers in low income families.

Policies to increase minimum wages substantially have not been popular internationally because of the

dangers of reducing low-skilled employment. This impact would cut across a fundamental objective of this reform process, which is to achieve a more equitable distribution of employment.

Rises in minimum wages may not be an effective method of increasing the incomes of low-income families. Many low-paid workers live in middle income households where there are two earners. Low-income families also tend to lose much of the benefit of wage increases through increased taxes and withdrawal of social security entitlements.

While a general reduction in income tax would not be expected to have an adverse effect on low-wage employment, it would also be relatively ineffective in targeting the most disadvantaged families, as much of the benefit of tax cuts would flow to people in middle to higher income households.

For these reasons, in-work benefits is our preferred approach. The Reference Group believes that in-work benefits for full-time, as well as part-time employees, can help to restrain the growth of real labour costs, especially of low-skilled workers. This could help to increase employment opportunities of people on income support payments. Increasing the incentive to work through the use of in-work benefits may have the advantage of taking the pressure off the wages system by ensuring adequate income for low skilled full-time employees and their families.

Incentives for part-time and casual work

One idea canvassed in the Interim Report was to reduce the withdrawal rate on Newstart and other allowance payments, thus moving this income test towards the income test applying for pensions. There was much positive community feedback on this idea.

There is a case for doing this, given that the current income test creates effective marginal tax rates (EMTRs) of around 80 percent or more. Reducing these EMTRs for jobless people would improve incentives for people to take up part-time work and to increase their hours of work.

Key features: Incentives and financial assistance CONTINUED

Too large a reduction in the withdrawal rate would, however, also reduce the incentive for some people to take-up full-time work, unless some form of benefit matched it for people in full-time work. We believe it is important that improved incentives for part-time work should not unduly compromise incentives for full-time work.

Any relaxation of the allowance income test would also need to take account of the interaction with the Family Tax Benefit (FTB) system. If the cutout point for allowances is increased without a matching increase in the income threshold for FTB there will be a zone of income where the two income tests overlap. Such an overlap would cause a 'sudden-death' loss of FTB entitlement for families leaving allowances, which could create an additional disincentive for them to do so.

On balance, we consider that it would be worthwhile to further explore options for relaxing the allowance income test.

Incentives for full-time work

We believe that the Government will need to make a very important decision in the near future, about whether and how in-work benefits should be increased for full-time employees. Consideration of this issue needs to take account of the inter-relationship between the income support system and the wages system.

One method of increasing the incentive to work full-time would be to enable full time employees to become eligible for Newstart allowance.

Further, as discussed in the previous section on a simpler income support structure, our proposed participation support payment could be extended to full-time workers. While there is no overlap between allowance payments and full time award wages under current policy settings, the coverage of full-time workers (including self-employed people) would almost certainly become a very important issue if the income test for allowances was relaxed to provide better incentives for part-time work.

However, the cost and benefits of this approach need to be carefully evaluated.

There are two other approaches (discussed below) to in-work benefits for full-time employees that might be alternatives:

- Employment conditional benefits that can be on-going, subject to a means test.
- Temporary return to work benefits.

Costs of economic participation

Many respondents agreed that costs are often a barrier to participation for low-income people. However, costs are likely to vary widely, from little or nothing in some cases to significant in others. This makes it difficult to design policy solutions that are adequate to meet the full range of individual needs. However, we believe that there are two types of policies that could help in this regard:

- The kind of policies discussed above, that increase the financial benefits from work and help to overcome the disincentives associated with the costs of working, eg. travel to work costs and childcare costs.
- Where there are significant costs in preparing for work or searching for work, a participation supplement or account has the potential to meet costs in a way that emphasises personal autonomy and choice.

An income support and incentive package will not be optimally effective unless it is accompanied by a communication strategy to inform people of its benefits. Overseas experience also suggests that financial incentives are most effective when they are complemented by carefully designed mutual obligations requirements.

Options

In-Work Benefits

Overview

In-work benefits can take a variety of forms: supplementing earnings through basic income support payments; specific payments that are

Key features: Incentives and financial assistance CONTINUED

conditional on employment; and/or return-to-work benefits or incentives. We discuss each of these in turn, and in the process explore issues associated with incentives for part-time work as against incentives for full time work. In the Interim Report we outlined circumstances in which the incentives to work part-time are weak, and others where the incentives to work full-time are weak.

An important issue for the Government to consider is whether to give greater priority to increasing the incentive to work part-time, or to increase the incentive to work full-time, or attempt to treat them both equally.

Supplementing wages through basic income support payments

Most in-work supplementation in Australia takes place through social security and family assistance payments. The means tests applied to pension and allowance entitlements allow for people to receive a part-payment when in part-time, and in some limited cases, full-time work. The partners of low income employed people can also receive assistance in their own right (subject to the income of their partner), while help with the costs of children for both low income working families and those receiving income support is provided through the Family Tax Benefit. These latter measures act to supplement low wages by continuing assistance after a wage earner has returned to work. This ensures that family income is higher when at least one adult is in work.

As discussed earlier there is a case for reducing withdrawal rates on basic income support payments, such as Newstart allowance, but the effects on the incentives for full-time work would be a concern, unless full-time employees were to become eligible, which could be costly.

Employment conditional benefits

Employment conditional benefits are paid only to people who have income from employment or who have a certain minimum level of employment. They can be useful in a system which does not provide for broad-based supplements to low income or where there is a desire to provide a strong incentive for

certain forms of employment (eg full-time or substantial part-time work) over others.

They can be implemented either through the benefit system or through the tax system. Overseas examples include the Working Families Tax Credit in Britain and the Earned Income Tax Credit in the United States. Our Interim Report included a discussion of the pros and cons of such policies.

While we think this approach is well worth exploring, we hesitate to recommend the adoption of such employment conditional benefits in Australia at this stage, partly because of uncertainty about whether they could be well integrated into the current system. Furthermore, as we are proposing the reform of the current system into an integrated Participation Support System, consideration of the possible use and design of employment conditional benefits should be undertaken alongside the design of the new system.

Return to work benefits

Another way of improving incentives to take up full-time work is to provide some form of bonus or other temporary assistance to cover the transition to employment.

While there is already some provision for such assistance in the Australian context, it is clear from community feedback that this is often not well understood. It is also clear that uncertainty about the transition from income support to work can in itself create a disincentive for some people to attempt the transition.

Some of the proposals we canvass below (for example, the participation supplement and the transition bank) have the potential to provide additional support in the transition to work. Greater attention should also be given to informing people receiving income support about the range of assistance that is available.

There may be value in developing other approaches that target specific issues, such as the poor financial returns from paid work that are experienced by many people living in public housing.

Key features: Incentives and financial assistance CONTINUED

The main effect of these overlaps is that there are very poor work incentives for some families, particularly for second earners and for lone parents with both Youth Allowance and Family Tax Benefit (Part A) children.

Participation Supplements / Accounts

We canvassed the possibility of a participation supplement or account in the Interim Report as a flexible means of meeting the costs associated with some forms of participation (specifically those activities that aim to achieve an economic outcome) and for assisting the transition to paid work. We outline below some further ideas about how such a supplement might work.

The supplement might be drawn fortnightly where certain minimum conditions are met. These conditions might specify the form of participation and/ or the costs that could be covered (eg education, training, employment, self-employment, voluntary work, intensive job search, transport, or childcare).

Supplements that were not spent fortnightly could be 'banked' into a participation account, from which withdrawals could be made for larger expenditures associated with participation (eg course fees, textbooks, clothes for interviews, car expenses, tools).

Funds remaining in the account when payments cease due to successful labour market entry, could be drawn down as a return to work bonus, perhaps at the same rate as the rate at which payments are paid in. An alternative use of funds remaining in the account could be for the holder of the account to offer these funds to a prospective employer to be used as a wage subsidy.

An important issue is whether supplements should be paid to all those receiving participation support and whether the size of such supplements should be uniform.

- The supplement could be targeted to specific sub-groups eg those who have a requirement for economic participation and those who have voluntarily agreed to develop a participation plan.

- Access could be restricted to people who have been on payments for a specified period of time.
- Supplements could vary in size depending upon the type of activity chosen.
- A cap could be placed on the size of a participation account that could be accumulated and/or a limit could be imposed upon the length of time over which supplements can be received.
- Beyond those time limits, alternative, more tightly scrutinised arrangements might be required for an individual to access additional support.

A fortnightly participation supplement, with the added feature of accumulation in an account could prove to be a cost-effective way of assisting people with modest needs who are not eligible for more extensive assistance through the Job Network.

Other ideas

Income Contingent Loans

The participation supplement/account could be supplemented (or perhaps replaced) by an income-contingent loan facility for people wishing to undertake more expensive activities (eg private training courses not covered by HECS or TAFE concessions, small business start-up). These could be agreed on a case-by-case basis after an assessment of the likelihood that the investment would lead to future self-reliance.

Transition Bank

A particularly promising policy idea, which we suggest government give serious consideration to, is the idea of a "transition bank". This idea was canvassed in our Interim Report and considerable positive feedback was received.

One of the advantages would be that it would improve incentives for income support recipients to take and report casual employment by introducing a 'transition bank' similar in design to the income bank available to full-time students on Youth Allowance or Austudy Payment. A transition bank could smooth out the effects of income tests on variable,

Key features: Incentives and financial assistance CONTINUED

intermittent earnings and also assist longer-term recipients who are able to take ongoing casual, full-time or part-time work, by defraying the initial costs of first starting work. It would work by offsetting the initial earnings against the person's transition bank balance, thus allowing the person to retain more of their earnings.

Attachment D provides an example of how a transition bank could work.

Youth Allowance and Family Tax Benefit overlaps

Families who have a Youth Allowance (YA) child as well as children who attract the Family Tax Benefit (FTB) can experience quite severe effective marginal tax rates (EMTRs). The YA parental income test threshold is less than that for FTB (\$24,388 compared to \$28,200), and while there are additional free areas for other children they are not always sufficiently high to prevent overlapping tapers. As a consequence, for many families the addition of a YA child will result in there being some income range where disposable income actually falls as private income rises. Keating and Lambert (1998) estimate that up to 40,000 families are affected by this stacking between FTB and YA, with EMTRs of 86.5 percent and even 111.5 percent applying.

In addition, certain additional benefits are lost when a dependent child moves onto YA, notably FTB and rent allowance. Furthermore, the lower threshold for the YA parental means test results in a "sudden death" loss of all of the YA when the parents move off allowance. This same family may be better off on FTB(A) than YA, notwithstanding the higher maximum rates under the latter.

Participation Supplement / Account Pilots

The Reference Group is attracted to introducing participation supplements / accounts, as a way of assisting people into economic participation.

We note that the Government is currently undertaking some trials that include payments to relevant target groups, to assist with costs of

participation. The outcomes of these trials will be of considerable interest. We consider, however, that there are strong arguments for further trials examining alternative design features.

Until alternative approaches have been piloted it is hard to assess which approach is likely to be most effective. One very interesting experiment, for example, would be to compare a pilot where the account can be drawn down as a return to work payment, with one where it cannot. Another trial could permit the use of the account to offer a wage subsidy to employers.

Return to Work Benefits Pilots

The Reference Group believes that improving return to work benefits is worthy of consideration. We have already suggested that the income bank approach which is aimed primarily at encouraging temporary and casual employment may be worth proceeding with in the short run and this could also be used to support the transition to work.

There are other types of return to work benefits worth investigating as well as those that were discussed above. Results from the Canadian experiment with a return to work earnings supplement are very encouraging, and we consider that a similar experiment is worthy of consideration in Australia.

Recommendations

Medium to long term

The policies below should be introduced in the medium to long term, subject to the findings of further research and piloting.

CI Introduce an integrated participation support payment system which:

- Ensures strong incentives for both part-time and full-time work.
- Targets assistance to need and provides incentives for participation.
- Extends in-work benefits.

Key features: Incentives and financial assistance CONTINUED

C2 Adopt participation supplements / accounts to help meet participation costs and assist with the transition to employment.

C3 Consider the introduction of income-contingent loans to meet the costs of more expensive forms of education, training and self-employment start-up.

Initial Steps

C4 Develop the research base necessary for further policy development on work incentives, encompassing:

- The optimum withdrawal rates and means tests structures for the participation support payment and needs-based supplements.
- The best approach to improving in-work benefits.
- The balance between incentives for full-time work as well as part-time work.
- Interactions between the participation support system and the wage setting system.

C5 Undertake pilots to test the merits of alternative approaches that address the costs of participation and the transition from income support reliance to paid employment, encompassing:

- Alternative approaches to participation supplements / accounts, testing alternative design features as discussed earlier in Section C.
- Return to work benefits, eg return to work earnings supplements.
- Income contingent loans for higher cost education, training and small business start up costs.

It is important to ensure as far as possible, that such pilots are carefully designed and are randomised.

C6 Introduce a transition bank and associated administrative measures to improve the incentives for and returns from casual work and provide a smoother transition to paid employment for people on income support.

C7 Reduce the very high effective marginal tax rates for families caused by the overlap between the means tests for FTB (A) and the Youth Allowance Parental Income Test.

C8 Governments work together to identify ways to mitigate the negative financial effects of paid work on public housing tenants, with the aim of improving incentives for people in public housing to take-up paid work.

Key features: Mutual obligations

D. MUTUAL OBLIGATIONS

Introduction

During the past twenty years, globalisation, technological change and micro-economic reform have been accompanied by growing emphasis on the individual.

Critics argue that growing individualism has been associated with a decline in “social capital”: defined as the reciprocal relationships, shared values and trust, which help to keep societies together and enable collective action.

There is a renewed awareness that for societies to function effectively, the growth of individual “rights” and “choices”, needs to be married with a growth in individual “responsibilities” and “obligations” to society. There is also a growing public discussion of the responsibilities of businesses to look beyond the interests of their shareholders or profit margins.

Fulfilling social obligations means that individuals and corporate entities ensure they behave in ways that are not purely self-centred, but reflect broader considerations.

In relation to the social support system, the Reference Group supports the adoption of a broad interpretation of the concept of mutual obligations, which we see as being underpinned by the concept of social obligations.

Under this broad view of mutual obligations there should be a recognition that government, business, communities and individuals are held together by a web of mutual expectations which, in some cases, should be made requirements.

The Participation Support System will involve a greater commitment on all parties - government, business, communities and individuals - to pursue two related objectives:

- Generate opportunities for economic and social participation, beyond those that will continue to flow from economic growth.
- Ensure a more active engagement between service providers and individuals, particularly those most likely to be affected by social exclusion.

The two objectives are interdependent because we need to ensure that people on income support access their share of opportunities for participation.

The Reference Group believes that voluntary fulfilment of mutual obligations will lead to the best outcomes. Nevertheless, compulsion will be required for a minority of income support recipients and to ensure that governments, businesses and communities meet minimum standards in ensuring access to economic participation opportunities.

Interim Findings

In the Interim Report the Reference Group found that all parties could and should do more to reduce the prospect of entrenched social and economic disadvantage.

Government has a continuing obligation to maintain an adequate safety net to alleviate poverty, provide leadership in the development of the new system and provide additional assistance to help individuals and communities develop their capacities for participation.

Business and communities must join with government to create more opportunities particularly for those who face significant barriers to social and economic participation. Without the generation of more opportunities, the Participation Support System will be far less effective in enabling social and economic participation.

Business and government can play major roles in strengthening community capacity through social partnerships and this is discussed in Section E of this report.

Another important area for government, business and community leadership and action is in addressing the many forms of discrimination, which prevent some people from accessing the full range of participation opportunities.

There are many minimum requirements already in place, but more needs to be done by these groups to address the problem of discrimination, which is an additional barrier faced by many people who would

Key features: Mutual obligations CONTINUED

otherwise become or remain long term jobless.

In relation to **individuals** the Reference Group indicated support for an extension of mutual obligations to cover all people of workforce age for a number of reasons:

- Participation is in the long-term interests of individuals, and the key strategy for addressing the prospect of entrenched social and economic disadvantage.
- An obligation to participate will reinforce community expectations and will encourage the minority of individuals who might be reluctant to take-up appropriate opportunities.
- There is strong community support for the idea that individuals should avail themselves of appropriate opportunities for economic participation.

Feedback

Responses to the Reference Group's suggestions about the obligations of government, business and community reflected a number of key themes.

- There was some criticism that the Interim Report contained insufficient emphasis and detail on the obligations of government, business and communities and on the penalties that might be imposed on them if they did not fulfil their obligations.
- Government was seen as having an important leadership role - to educate business and the wider community by example (eg as an employer) and to facilitate social partnerships at the local level. Respondents emphasised the importance of building cooperation and coordination across the various levels of government.
- Most respondents felt strongly that business should do more to employ people who would otherwise enter or remain in long term joblessness. This theme was strongest in responses from organisations representing people with disabilities, indigenous people and older people.

- Many responses acknowledged the importance of supporting communities to address local issues and to provide opportunities for social and economic participation. Some however expressed the view that in many communities resources are already stretched and that placing further obligations on such communities would reduce their capacity to respond to local needs.
- Many responses to the Interim Report expressed concerns about both the purpose of mutual obligation and the possible effects of its application to a broader group of people than those on unemployment payments.
- In most cases, there was acceptance that it is reasonable to expect people with the capacity for employment to seek work or improve their job prospects. Respondents argued, however, that such expectations must take account of the state of the labour market and individual circumstances. Some responses argued that placing conditions on income support diminishes citizenship rights to an adequate minimum income.
- Many responses called for a clearer delineation between economic and social participation and argued that social participation (however defined) should not be compulsory.
- While most responses welcomed the new emphasis on the needs, capacities and circumstances of individuals, there was some concern to ensure this would be achieved within a legislative framework that clearly defines entitlements and obligations.
- Concerns remained over the capacity of people with disabilities and lone parents, in particular, to comply with any new expectations. These appeared to be motivated in large part by concerns about the possible impact of financial penalties on these groups, rather than specific views about their likely capacity or incapacity to participate.
- Most responses did not favour heavy reliance on compulsion and financial sanctions, arguing instead for an approach that encourages and supports.

Key features: Mutual obligations CONTINUED

Discussion of key issues

Social and Mutual Obligations

Feedback on the Interim Report confirmed that there is wide support for the application of an **appropriate framework of reciprocity**.

The Reference Group believes that provided there is appropriate reciprocity, mutual obligations can be seen to be both appropriate and fair when applied to income support arrangements. Government (on behalf of the community) and individuals must be both sufficiently engaged in an exchange of mutual obligations and this exchange must be in the real interests of both the community and the individual for this framework to be perceived to be just and appropriate (Yeatman 1999).

The Reference Group has defined these obligations in a wider context that also encompasses businesses, non-profit organisations and in a real sense, all of the community.

The concept of social obligations is a useful one, which we see as underpinning the idea of mutual obligations. The word "social" is used to refer to all obligations that everyone has to the rest of society. Further it relates to obligations of the whole of society including government, business, not for profit organisations, communities and individuals.

Expectations and requirements

To assist consideration of the broad concept of social and mutual obligations, we distinguish between two levels of obligations:

- One where there is an expectation of mutuality held within a community.
- The other where the expectation becomes a requirement, eg in legislation as a condition of funding or licensing.

The application of social obligations does not rely on either purely altruistic behaviour to meet expectations or coercion from government and the requirements of the regulatory framework. This is

because such social obligations, in general, confer substantial benefits on the individuals and corporate entities concerned. For example, by supporting community endeavours, business enterprises obtain substantial benefits in the form of employee morale, customer satisfaction and community respect, as well as a healthy social environment in which to operate.

Nevertheless, in some circumstances, it is helpful for the expectation of social obligations to be reinforced by some regulatory requirements. Examples relating to business enterprises include health and safety regulations, anti-discrimination legislation and corporate taxation. Examples for individuals include compulsory education, drink-driving laws and activity tests for unemployment benefits.

For a healthy society, however, obligations need to go well beyond minimum legal requirements. Thus society develops expectations, for example, about the way in which parents will treat their children, and employers will treat their employees, which go well beyond their legal obligation. Parents and employers find, in general, that meeting such obligations is also in their own best interest.

Within the social support system these social obligations are defined as mutual obligations, whereby the whole of the society has an obligation to provide assistance to those in most need. Similarly, those who receive assistance and opportunities through the social support system have a responsibility to themselves and the rest of society to seek to take advantage of such opportunities.

The Reference Group believes that the mutual obligations of governments, business and community are of no less importance than the obligations of individuals. In our view, the whole social support system, with its various components, is a very tangible expression of the mutual obligations of the community as a whole towards its more vulnerable members. Thus, the whole of this report should be seen as addressing the respective responsibilities of all sectors of society.

Key features: Mutual obligations CONTINUED

The role of government

A major thrust of this report is to expand the leadership role of government (on behalf of the rest of society) in increasing social and economic participation opportunities for jobless families and households.

Throughout this report, we have affirmed the importance of maintaining an adequate safety net of income support and related programs to alleviate poverty. We agree that this is a key requirement of governments. We have argued also that governments need to invest more widely in helping people of workforce age build their capacities for economic and social participation to escape long-term joblessness and to overcome poverty. However, government has to use scarce resources wisely to achieve the best benefit for individuals and for the community as a whole.

Governments have a responsibility to manage the economy to enable economic growth, long term environmental sustainability and the well being of communities. In the Social Partnerships: Building Community Capacity section we argue for greater government investment in assisting disadvantaged communities develop their own capacity to enable the social and economic participation of their members.

There are many legislative requirements placed on governments and their agencies. For example, the Social Security Act commits the Commonwealth Government to provide many different entitlements to people in a variety of circumstances. In most cases, there is no discretion for government or its agents to disregard these entitlements. Where discretion exists, there are mechanisms for review and appeal of decisions.

While government is bound by these requirements, it is also constrained by community expectations as to how it discharges its responsibilities. The expectation that government maintain an adequate level of payments is an example of a strong expectation as opposed to a requirement. In respect of pensions, the government has converted this into a requirement through a provision in the Social

Security Act that ties pension rates to 25 percent of Male Total Average Weekly Earnings.

Similar examples of expectations reinforcing requirements exist in other fields, for instance while governments are required to make schooling available to legislated minimum age, the commitment to make 12 years of schooling available to all young people is a strong expectation.

Governments must also provide leadership at both the national and the state / local level, in setting community expectations of social obligations. This sentiment was echoed in a variety of ways by organisations representing disadvantaged groups, such as indigenous people, older people and people with disabilities.

There is a common community expectation that people migrating to Australia should contribute to the community both socially and economically. Migrants subject to the two-year waiting period for eligibility for income support are not eligible for many participation support services. Targeted access to appropriate participation support services could help build their capacities for participation.

Sometimes governments set these expectations by election and other public commitments, and sometimes community expectations are bought to bear through the political process. A strong sense of community expectation, particularly when there is a perceived consensus, is a major influence on government.

Government policy on mutual obligations is no exception to this general rule and the Reference Group strongly supports effective community consultation in setting mutual obligations requirements in order to ensure they reflect community expectations.

The role of business

Business is an important member of any community and as such is also subject to expectations and requirements. The key responsibility of business is to generate wealth, to provide sustainable employment and the contribution of taxation revenue to finance

Key features: Mutual obligations CONTINUED

the participation support system and other community purposes.

We accept that many business organisations and individual employers are already participating actively in social partnerships with governments and community organisations. Nevertheless, we agree with the many respondents to the Interim Report who argued that employers can and should do more to improve employment opportunities for long-term jobless people and for members of disadvantaged groups more generally.

As referred to briefly above, business fulfilment of social obligations does not need to rely on traditional philanthropic expectations or the strength of regulatory requirements. There is an increasing commitment by corporations to building the relationships required for long term sustainable development leading to long term shareholder wealth as opposed to the minimal attention to the community relations necessary for short term profitability. Sustainable development of shareholder value may in turn require:

- Sustainability: integrating economic, social and environmental strategies into business strategies (as measured by the triple bottom line).
- Corporate Social Responsibility: operating business to meet or exceed the community's ethical, legal, and commercial expectations.
- Corporate Citizenship - managing the business impact on and contributing to communities and society as a whole.
- Business Ethics - to guide the development of corporate culture and achieve corporate performance targets.

There are emerging international voluntary standards that increasingly guide corporate behaviour in Australia and overseas (Lagan 2000).

These are largely expectations, not requirements, and remain contested concepts among the business community, as the debate is still emerging in Australia.

We are encouraged that there is growing interest within the business community around these ideas. For example, a recent study by the Centre for Corporate Public Affairs, in conjunction with the Business Council of Australia (2000), has examined the expectations Australian corporations hold of their obligations. The study suggests that only a small minority holds the traditional view that building shareholder wealth and meeting legislative requirements is a sufficient role for business. This report concludes that business has wider social obligations.

A significant number of businesses recognise an obligation on the part of business to contribute directly to community well being, eg philanthropic foundations and giving programs established without seeking an immediate return to the business bottom line. Recent amendments to company taxation legislation have facilitated corporate donations to charitable organisations. This package, which is worth an estimated \$51 million per annum of forgone revenue, will improve incentives for business to donate property to organisations eligible for tax deductible donations and will also make it more feasible for families and individuals to set up their own trusts for philanthropic purposes.

A large majority of businesses sampled reported that they have made a calculated commitment to secure long term business growth through investment in the community.

These contributions are made to enhance long term sustainability by building reputation and strengthening relationships within the community, with government and with their own employees as a socially and ecologically responsible organisation. These activities are seen to help in safeguarding their license to operate within the community and position their brand within long term markets. An additional benefit of corporate citizenship is seen to be building employee loyalty and commitment.

These social obligations are established for and by corporations and as yet have not become instituted

Key features: Mutual obligations CONTINUED

as expectations by other community members or as requirements legislated by government. These expectations, however, have the potential to become codified through the development of social reporting systems to quantify and audit social performance in addition to finance accounting. Social auditing is increasingly being taken up by major accounting firms and international corporations to enhance their reputations. Similarly business ethics promoted through such bodies as the St James Centre in NSW are increasingly core indicators within corporate performance assessment processes.

Businesses are subject to social obligations requirements for the well being of the community and to their employees in particular. These requirements include:

- Adherence to anti-discrimination legislation.
- Legislative binding to Awards/Australian Workplace Agreements/Enterprise Agreements and Occupational Health and Safety legislation.
- The provisions of Corporation Law/ Consumer legislation.
- Accounting Standards.
- Environmental law.

Where business can do more

In order to take the social obligations framework underpinning this report forward, additional expectations and requirements of business will need to be established.

The Reference Group considers that the triple bottom line social and ethical auditing process may be usefully reinforced through social reporting benchmarks established across the broad corporate sector. These benchmarks could be supported and developed within the Prime Minister's Community Business Partnership and national social reporting awards could be established on a similar basis to the Prime Minister's Awards for Excellence in Business and Community Partnerships.

This would assist the development of a national

framework of triple bottom line (social, environmental and economic) auditing for the corporate sector sponsored by the Prime Minister's Community Business Partnership with business organisations and professional associations.

Mature age and low skilled workers in areas of low employment in particular may be marooned in long term unemployment by sudden retrenchment. Retraining and relocation of such workers is well-recognised to be extremely difficult and long term joblessness and reliance on income support is highly likely unless extra assistance is provided. More work needs to be done between business and governments to ensure that retrenched workers receive their employee entitlements and early access to assistance to avoid becoming unemployed and reliant on income support. Given the significant cost to individuals and the economic impact of mature age joblessness, this is an area that needs a great deal more attention and investment.

The Reference Group has been made aware of the attitudinal and cultural barriers to the employment of mature age people, including direct age discrimination. These barriers exist because of a lack of appreciation of the capacities of older people to contribute to a business or other organisation and a perception that older people wish to take early retirement or redundancy. Similar issues were raised by indigenous, multicultural and disability groups and they are still experienced by women within the workforce. There is a clear need for attitudinal and cultural shifts if more participation opportunities are to be provided.

In addition to these attitudinal and cultural issues, many people from overseas, at risk of joblessness, face additional barriers due to lack of recognition of their skills and qualifications and language difficulties.

People with a disability face barriers to economic and social participation due to their impairment but also low expectations of participation by other community members and employers. While there are programs available to assist employers who take on

Key features: Mutual obligations CONTINUED

people with a disability, there appears to be low take-up of some of these provisions. Physical access and the costs of appropriate workplace modifications provide significant barriers to employment for some people with disabilities. Many individuals also reported to the Reference Group that their biggest barrier was finding an employer willing to “give them a go”. The Reference Group considers that increased awareness of the diverse capacities and potential for contribution among people with a disability, coupled with more effort from government, business and the wider community is required to increase employment opportunities for people with a disability.

Parents and carers. One of the major barriers to employment of parents and carers is the lack of family friendly work practices that recognise caring responsibilities. Much work has been done in Australia and overseas to encourage employers to adopt more flexible arrangements such as family leave entitlements through enterprise agreements. Over half of all mothers in the population are employed and this will be more sustainable for both parents and children if the workplace is supportive of parenting responsibilities. A more responsive work environment will encourage further economic participation by parents reducing their reliance on income support and easing the transition to the greater requirement for economic participation after their youngest child reaches the stipulated ages.

Long-term unemployed people face particular difficulties in accessing employment and typically lose out to other people more regarded as job ready. Employers who commit to employing long term unemployed people may be faced with periods of lower productivity and additional costs of training. The Reference Group has been impressed with the way in which business in the United States has made a commitment to participating in welfare to work initiatives, providing employment and training to people previously reliant on welfare. We note that tax credits have been a major incentive for such

partnerships in the US environment. We are interested in how such partnerships might be developed as a complement to Job Network arrangements to increase employment opportunities for long term unemployed people.

The Reference Group suggests employers and employer organisations be assisted to offer work (including voluntary work) to long term jobless people and people from communities and groups who are disadvantaged in obtaining employment.

Indigenous people are by any social or economic indicators, clearly a highly disadvantaged group. The unequal distribution of employment is particularly acute among indigenous people. More could be done to address the systematic discrimination by businesses towards indigenous people, including strategies to increase indigenous employment in the small business sector. Models of post-placement support used in other settings should be explored with indigenous communities to assess their appropriateness. Other initiatives that go beyond targeting assistance to individuals include local job creation schemes, local and regional development initiatives, small business development assistance and group enterprise development assistance.

The role of communities

The Reference Group affirms the important role of communities in providing both opportunities and support for economic and social participation. We do not see these obligations as residing only with community organisations or only with those members of the community who rely on income support. The expression of expectations of social obligations on and within communities is mediated through a large and varied array of community organisations ranging from formal agencies such as local government to informal groups. While formal legal entities may be charged with requirements, communities by their informal nature tend to have expectations of themselves and their members. To the extent that these expectations are shared, the

Key features: Mutual obligations CONTINUED

community may be regarded as having strong social capital especially if common understandings of social obligations are held within strong networks of community members. Community expectations as variously expressed and understood may then become the basis for social obligations in the form of legal requirements.

The Reference Group recognises the importance of communities, which form the arena in which social obligations are expressed, fulfilled and supported by social partnerships. Communities themselves can be strengthened or weakened by the actions of business and governments and individuals and families can have access to more or less support from communities due to the actions of business and government.

Yet, in a very real way, it is the community itself that has to take collective responsibility for its own well being. There is increasing recognition that top down solutions are not always appropriate and bottom up problem definition and solution finding may often be best. Many communities however, particularly those where people have difficulty in accessing social and economic participation, are themselves low on resources to support and encourage disadvantaged members.

In this context the Reference Group welcomes the Federal Government's Stronger Families and Communities Strategy.

All levels of government need to continue and increase their resourcing of community capacity building, particularly in the development of leadership in community defined projects to improve opportunities for economic and social participation.

Business and government can play major roles in strengthening community capacity through social partnerships and the consideration of community economic and social regeneration is further considered in Section E of this report.

The role of individuals

Expectations of social obligations upon and between individuals are deeply embedded within the varied cultural traditions that constitute the Australian community. In the context of this report some of the more common expectations may be summarised to include:

The **Stronger Families and Communities**

Strategy underpins the important role that families and communities play in nurturing children, caring for people in need and linking people to jobs and opportunities.

Funding of \$240 million over four years will support a range of initiatives, designed to build a stronger understanding of Australian communities and their needs and including:

- Early intervention parenting and family relationships support.
 - A Stronger Families Fund.
 - Commissioning a landmark longitudinal study of Australian children.
 - Nurturing potential leaders in local communities.
 - A national Volunteers Skills Development Initiative and funding for International Year of the Volunteer.
 - Establishing a Can Do Communities Initiative.
 - Supporting local solutions to local problems.
-
- Providing assistance to friends and neighbours in need (informal social assistance).
 - Taking an active interest in matters that affect our neighbourhood, state and country.
 - Working with others to address matters of shared concern (and not waiting for someone else, perhaps the government, to "do something").
 - Through gifts of time and money, support other members of the community working to address issues that impact upon all.

Key features: Mutual obligations CONTINUED

- The responsibility of parents to look after the needs of their children and for adult children to look after their frail aged parents.

Some of these expectations are recognised as requirements, eg in the statutory recognition of the rights and responsibilities of parents and children. The role of carers is recognised through income support entitlements and power of attorney / medical power of attorney.

Responsibilities as citizens and members of the community to each other and the community are contained in strong community norms and expectations that are legislated as requirements eg jury duty.

In relation to income support arrangements for individuals some of the common norms and expectations are:

- Everyone with the capacity to work and in the appropriate circumstances will genuinely attempt to find work.
- People with caring responsibilities are fulfilling their obligations to the community in undertaking that activity eg caring for young children, caring for people with a disability, caring for people who are frail aged and caring for people who are chronically ill.

In some instances expectations differ in terms of when caring is regarded as a full time responsibility.

Participation as a criterion for support

If an expanded definition of mutual obligations is adopted as we have suggested, it will be essential to find the appropriate balance between specifying some minimum requirements, in legislation and providing genuine flexibility to recognise and respond to individual circumstances.

Consistent with the principles we outlined in the Interim Report, minimum requirements should reflect what is appropriate, according to community norms and values, and allow people some choice as to how they meet requirements. If this can be achieved, administrative discretion will only need to be

exercised in cases that clearly fall outside the bounds of what is covered by legislation.

While most income support recipients are likely to participate willingly because they understand the short and longer term benefits of doing so, some may need help to define and achieve their own goals for participation and self-reliance. It is likely however that others, including some people with multiple barriers to participation, will not respond to approaches that rely entirely on voluntary participation. For this group, early intervention strategies will not succeed unless ways can be found to actively persuade them of the benefits of participation. This will include the incentive of the participation supplement, sensitive tailoring to meet individual needs and quality high-level brokerage support services.

There is considerable community concern about the impact of financial penalties on low-income people, with few other resources. Nevertheless, some form of financial sanction must be available as a last resort (noting that business and government also face formal sanctions when requirements are not met). The right to support should be balanced by a responsibility to the community that provides that support.

Sanctions will rarely need to be imposed if strategies to maximise voluntary compliance are adopted, including:

- Accurate and expert assessments of capacity to participate that can create trust and partnerships between service providers and income support recipients.
- Working with people to help them define and achieve their own goals and allowing them as much choice as possible in how they meet any requirements.
- Ensuring that people understand clearly what they need to do in order to meet their agreed expectations and any consequences of failing to do so.

The personal vulnerability of many people receiving income support requires safeguards, both legal and administrative, to protect people against the unwarranted imposition of sanctions:

Key features: Mutual obligations CONTINUED

- There should be a minimum requirement that all relevant circumstances be fully investigated, including through personal contact with the income support recipient, before any sanction is applied.
- Where others, such as dependent children, also rely on the person's income, the impact of any sanction on them should also be taken into account.
- There must be comprehensive and accessible avenues for review of, and appeals against, decisions.

The proposed Participation Support System should encourage and enable people to participate because of the inherent value of each person. Our concept of participation values all of the ways in which people contribute to their own lives and the lives of people around them.

This includes people whose participation is limited due to severe disabilities who are no less citizens than those who can support themselves through paid work. This does not imply a need to specify particular forms of participation or to regularly monitor every person who receives income support. People with significant and permanent impairment and those with substantial caring responsibilities should be assumed to fully discharge their obligations.

Parents

A major failing of the current system is that parents may remain out of the labour force for 16 years or longer (if they have more than one child) without any assistance to plan or prepare for entry into the paid workforce. We need a system that is more active in providing such assistance and linking parents into available opportunities.

Most parents want to take up paid work at some time. This view was supported in the feedback we received to our Interim Report and through the results of the Parenting Payment Intervention Pilot. Indeed, the majority of parents in Australia are in the paid workforce by the time their youngest child has reached primary school age. Research into community attitudes suggests that at least half of respondents believe it is reasonable to expect

parents to seek part-time paid work once their youngest child is in primary school (Eardley and Matheson, 1999).

Remaining economically inactive for many years can lead to a deterioration of paid work skills, reduced capacity to save for retirement, and lower family incomes.

Parents who do not have the knowledge, skills or confidence to voluntarily access services can remain on payment for long periods of time, with increased prospects of long term financial disadvantage for themselves and their children.

We believe it would be more effective to actively target parents who are at risk of long-term joblessness and offer interventions that would improve their capacities for economic participation.

For many parents, the pre-school years are spent as a primary carer and the substantial nature of this caring work can make it difficult to undertake other activities, such as paid work. The primary school years can be an important time for enriching the skills and confidence of parents who have not yet returned to the labour market. It is a time when the participation support system would actively engage parents in decisions about their future, provide assistance with planning for economic participation and link them to appropriate services.

As children reach secondary school, the emphasis needs to shift from planning and preparation to actively seeking out paid employment opportunities. At all stages, however, there should be a focus on capacity building and an explicit recognition of economic and social activities already being undertaken.

Many parents in receipt of income support are already participating in activities like education, training, paid and voluntary work. Under a new participation model, these activities would be explicitly recognised and supported, with access to a participation supplement where necessary to help cover any costs of these activities.

Key features: Mutual obligations CONTINUED

Under our proposed model, account would need to be taken of any significant issues about care of older children. The system would need to be sensitive to parent's concerns about the welfare of their children, and provide support and access to available services to help such families through stressful periods. However, we note that many parents successfully combine parenting and part-time paid work when their children are older.

Parenting Payment Intervention Pilots

In September 1999, the Department of Family and Community Services (FaCS) began a pilot of intervention strategies for a sample of 5,282 Parenting Payment (PP) customers.

The results show that voluntary JET interviews appear to be relatively ineffective with only 17 percent of invitees attending. In contrast 81 percent of invitees attended in the compulsory group (the remaining 19 percent were excluded due to medical reasons, caring responsibilities, travel distances etc).

Participants found the JET interview very valuable, with 85 percent recommending compulsory attendance for those that have the capacity. Eighty-seven percent stated that the interview had a greater than moderate effect on their plans for the future. For most groups, it appears as if a structured approach within a requirement framework provides the best measure of assistance for Parenting Payment recipients.

Importantly, the new Participation Support System would acknowledge that some parents, regardless of the age of their children, would not be able to engage in participation activities on top of their parenting responsibilities. For example, those who were recently bereaved or separated, subject to family violence or other personal crises, or caring for a child with a disability. The system would be sensitive to these situations and provide appropriate

responses in gateway and brokerage guidelines. In addition, it would enable flexibility and tailoring of assistance within a broad framework of guidelines to meet individual needs and local circumstances.

Indigenous people

Many indigenous people actively support the concept of social obligations, consistent with the traditionally strong cultural value placed upon fulfilling obligations to the extended family and the community. In fact, many indigenous communities participate in the Community Development Employment Program (CDEP) and already meet any test under a mutual obligations framework.

There are a number of ways that indigenous income support recipients in any location could satisfy mutual obligations requirements, and these activities may be in addition to, or alternatives to, conventional means of satisfying the activity test such as job search or training.

For indigenous communities, the development and implementation of mutual obligations will require consultation at the local level to ensure that requirements and their application are culturally appropriate. The Reference Group is concerned that approaches be pursued to reduce the number of activity test breaches imposed on indigenous people through fostering voluntary compliance and community involvement, providing better recognition of individual circumstances and ensuring that decisions about sanctions are culturally appropriate and responsive to the needs of the community.

Recommendations

Medium to long term

D1 Government will continue to resource an adequate safety net of income support and related programs to alleviate poverty and provide opportunities for social and economic participation for jobless families and households.

D2 Ensure that all levels of government continue and increase their resourcing of community capacity building, particularly in the development of leadership

Key features: Mutual obligations CONTINUED

in disadvantaged communities and local community defined projects, with the aim of improving opportunities for economic and social participation.

D3 Ensure a forum is available for continuing dialogue with business about their social obligations, with a view to increasing the participation opportunities for people on income support.

D4 Implement the overarching mutual obligations framework for the new Participation Support System.

Initial steps

D5 Develop an overarching mutual obligations framework for the Participation Support System which incorporates the respective roles of government, business, communities and individuals.

D6 Develop a model for mutual obligations that:

- Emphasises the expectation on recipients to undertake some form of economic or social participation, consistent with their individual capacities and life circumstances.
- Incorporates both a set of broad expectations and a set of minimum requirements (reflected in legislation), which should be developed with consultation to ensure expectations and requirements reflect community norms and values.
- Is implemented in a way that maximises voluntary compliance and provides that alternative approaches to sanctions are considered before financial penalties are imposed.

D7 Develop mutual obligations guidelines for indigenous people that strengthen existing family and community structures, including expanding the current menu of acceptable activities for jobless people to include other forms of social or cultural participation.

D8 Government, business and communities assist people from overseas overcome barriers to participation, including appropriate access to participation support services and development of culturally appropriate requirements.

D9 Implement a mutual obligations framework for mature age jobless people, which requires some form of participation with a priority on economic participation where appropriate.

D10 Business, government and community jointly establish a comprehensive set of early intervention arrangements to enable retrenched mature age workers to receive their employee entitlements and to receive early referral for appropriate levels of assistance.

D11 Establish a national framework of triple bottom line (social, environmental and economic) auditing for the corporate sector sponsored by the Prime Minister's Community Business Partnership with business organisations and professional associations.

D12 Implement, with phased transitional arrangements, a participation model of income support for parents with the following features:

- The substantial caring responsibilities of those with children under school age (six years of age) and those caring for a child with a disability be regarded as meeting participation requirements.
- Parents with primary school aged children (six to thirteen years of age) be required to attend an annual compulsory interview to discuss their current and future capacity for increasing participation. Parents could choose to enter into a voluntary participation plan, which linked them to available assistance for education, training, employment and other forms of participation.
- Parents of high school aged children (thirteen and over) be required to enter into a Participation Plan, including job readiness and needs assessment, part-time job search, part-time employment or part-time preparation for paid employment (including education, training, or other relevant forms of participation).

D13 Develop participation expectations and requirements and for people with a disability in the light of the outcomes of the Disability Assessment and Contestability Trial.

Key features: Mutual obligations CONTINUED

D14 Review the capacity for work criterion (the 30-hour threshold) for people with disabilities ensuring that any such criterion is in line with contemporary patterns of labour market participation.

D15 Review the level and nature of support for long term unemployed people to provide recognition and incentives for business to employ jobless people.

D16 Government and business to work in partnership to achieve attitudinal change and improve incentives and recognition for business to employ people at risk of long term joblessness. New initiatives could build on:

- The Employer Incentives Strategy for people with disabilities, to increase awareness and take up of provisions that support the employment of people with disabilities.
- The Indigenous Employment Strategy to increase awareness and take up of provisions that support the employment of Indigenous Australians.
- Good practice codes in industry for family friendly work environments, the development of awareness, training and resource materials about family friendly practices and the Corporate Work and Family Awards.

In addition, specific initiatives are required to publicise the contribution that mature age people make to businesses and the community and to counter age discrimination in employment, which places mature age people at high risk of long term joblessness and social disadvantage.

Key features: Social partnerships – building community capacity

E. SOCIAL PARTNERSHIPS – BUILDING COMMUNITY CAPACITY

Introduction

A key issue for welfare reform is to ensure that increased opportunities for social and economic participation are made available to complement the changes to the income support system that will provide greater support and incentives for employment.

We have argued that a major social obligation of government is to optimise the conditions for economic growth and sustainability of employment. While government accepts this responsibility at the macro economic level, we have also argued that much social and economic disadvantage is clustered in particular communities.

Building community capacity is a term the Reference Group has used to describe the process of accumulation of human, financial and social capital within disadvantaged communities. This is the means through which social partners can work together to discharge their mutual obligations by helping strengthen communities and thereby increase opportunities for social and economic participation.

We have identified four processes through which social partners may work to enhance community capacity:

- Community economic development.
- Community-business partnerships.
- Social entrepreneurship.
- Fostering micro-businesses.

Our emphasis on community capacity building through social partnerships is not an indication that we support a diminishing role for Government. In fact, in many cases community capacity building will require additional resources, especially in the formative stages.

Although community capacity building and social partnerships have not received the attention they deserve in Australia, there is already a lot happening

at the local level as can be seen in some of the case studies we have presented.

The task is to build on, and extend these positive developments and make them a prominent feature of Australia's economic and social landscape.

The Reference Group is concerned to ensure that efforts across government in working with communities are effective, well coordinated and well targeted. The Reference Group therefore believes it is important at this time to conduct a review of the community capacity building programs in order to apply additional resources to help disadvantaged communities generate opportunities for social and economic participation.

Interim Findings

In the Interim Report the Reference Group supported the view that the social support system will be stronger and more sustainable if governments, business, not-for-profit organisations and communities work together to maximise opportunities for economic and social participation by individuals.

The key findings from the Interim Report were:

- Businesses can make valuable contributions to local communities through active social partnerships with governments and/ or community organisations. There is considerable evidence to suggest that these partnerships generate significant benefits for businesses themselves (refer Mutual Obligations chapter, pages 32-43).
- Governments already provide assistance through funding services and community development. Additionally, the social support system could be reshaped to better support local community capacity building.
- Non profit organisations often contribute by providing local structures for representing community views, developing partnerships with business, delivering community services and fostering social entrepreneurship.

Key features: Social partnerships – building community capacity

CONTINUED

- In areas of high unemployment where community economic development is required to help generate employment opportunities, programs could be used to support local initiatives reinforcing the capacity of the community to mobilise resources and create sustainable economic activity.
- Social enterprises may have the capacity to go beyond a traditional welfare approach that has not tackled the multi-layered social and economic problems that persist in many locations despite Australia's economic growth.

Feedback

The Interim Report's treatment of Social Partnerships attracted a lot of interest with the feedback emphasising the importance of social partnerships to the overall effectiveness of the proposed system.

There was strong support for the philosophy behind social partnerships and recognition of the need for business, community and government to work together in providing opportunities for social and economic participation.

Respondents highlighted the need for social partnerships in economically depressed regions.

Nevertheless, a number of respondents argued that many of those already active in the community are over-stretched and raised the limitations of partnership approaches without continued government support, including seed funding.

Many commentators argued that the role of business was not as well defined in the Interim Report as that of individuals.

This uncertainty was reflected in discussions about how to obtain the commitment of business to the broad development of social partnerships. The need for additional strategies to encourage such a partnership approach was frequently raised in both written and other forms of feedback.

Other respondents argued that the most important role of business was to be non-discriminatory in their recruitment and employment practices and to consider people who were receiving income support equally with other candidates for a job.

Discussion

Community Capacity Building

The goal of social partnerships is to help build the capacity of communities, particularly those that are disadvantaged, to provide greater opportunities for social and economic participation.

By building their social capital (through stronger networks, trust and shared values), communities can offer individuals more opportunities for economic and social participation. A key part of community capacity building is connecting individuals in ways that enable people to support each other.

It is very important in community building initiatives, especially for people who are excluded, that integrated approaches are adopted which can increase opportunities for social participation.

This may require helping an isolated person join networks, or in a highly disadvantaged community, developing networks, shared values and trust. Once a person has access to the social support engendered by bridges and bonds with others they have the support base from which to engage in economic participation.

Examples of successful community capacity building initiatives incorporate the principles of self-reliance, are driven by strong leadership and have developed processes to include and involve people to achieve strategic outcomes.

Key features: Social partnerships – building community capacity

CONTINUED

Claymore – Integration and Partnerships

Claymore is characterised by social and economic disadvantage, and has had numerous difficulties since its establishment as an estate in Campbelltown, NSW in the late 1970s. In 1995, a house fire on the estate resulted in the deaths of five people that became a catalyst for action. A number of reforms were initiated by the Department of Housing (DOH) including a partnership with Argyle Community Housing.

Key components of Argyle's housing management model in Claymore include:

- Flexible allocations (ensuring a good match between tenants' needs and wants and housing provision).
- Sustainable tenancies through provision of support as well as flexible and responsive service delivery.
- Collaborative work with DOH staff; strengthening the neighbourhood; improving the physical environment.

These key components of housing management have resulted in significant changes in the area, including expressed demand for Argyle's housing (a twelve month waiting list), less police calls and less damage, major improvements in the look and image of the neighbourhood and a growing sense of community.

From the beginning of Argyle's involvement, there has been a firm commitment to working collaboratively with tenants. Tenant involvement from the outset of the neighbourhood regeneration process is regarded as a vital component of its success.

The Reference Group discusses below four strategies for social partnerships to help build the capacity of communities, particularly those that are disadvantaged, to provide opportunities for social and economic participation.

Community Economic Development

In the United Kingdom, one form of generating economic (and social) participation opportunities in

disadvantaged communities has been termed community economic development. In this model community development organisations are formed by local communities to provide a range of social and economic activities on a not for profit basis.

Governments play an important role in community economic development, acting as a catalyst, facilitator and/or funder as well as participant in broader coalitions of interest. In this model government partners a community organisation to resource the community action in developing social business ventures to provide opportunities for social and economic participation. Sometimes this will require development of social capital and local leadership in order to enable the community to organise itself to acquire the required service or business.

In rural Australia government is resourcing a type of community economic development in the form of Rural Transaction Centres (RTCs). Under this \$70m program, local community organisations can apply for funding to establish a RTC to provide services to the local community such as banking, Internet access, Medicare and Centrelink services. There are some eleven such RTCs operating in rural Australia with the capacity to fund many more. The Reference Group believes the RTC program is a good example of the way disadvantaged communities can be supported in providing services that would otherwise not be available.

The **Main Street Program** is an example of a state government initiative. The NSW Department of State and Regional Development aims to revitalise and promote rural centres throughout the state. It helps communities to develop their vision for the future and implement a practical community plan. An important part of the program is the skilling of local people to make decisions about their community's economic future. Community planning projects include an initial community workshop, a business retention and expansion survey, the development of an economic profile, strategic planning workshop and specialist workshops for local businesses.

Key features: Social partnerships – building community capacity

CONTINUED

Since the Interim Report was completed, a new Commonwealth Government initiative, Regional Solutions, has been announced. Administered by the Department of Transport and Regional Services, this program will provide \$90 million over four years in the form of grants for community planning, local project implementation, community adjustment initiatives, regionally based enterprise or infrastructure projects and community-based development officers. The Reference Group welcomes this initiative, which seeks to build leadership capacities in disadvantaged rural and urban communities where the current participation in local programs is low. Supporting and funding such initiatives is a critical role for governments at all levels.

Gwydir Valley Indigenous Employment Strategy

The Gwydir Valley Indigenous Employment Strategy represents a successful collaboration of Commonwealth and local governments, industry associations and local businesses. It involves the Moree Plains Shire, together with the Gwydir Valley Cotton Growers Association and the Commonwealth Department of Employment, Workplace Relations and Small Business. Over the course of three years, the program has placed more than 100 indigenous people in full-time work.

A report of the UK National Strategy for Neighbourhood Renewal draws out several principles for effective community regeneration in disadvantaged areas:

- *Empowerment.* Unless the residents of disadvantaged communities are partners in joint-working, nothing will change.
- *Leadership and commitment.* Partnership can be an excuse for everyone to do nothing. The most successful joint-working has strong leadership, and involves real commitment from all partners.
- *Prevention is better than cure.* Joint action should be focused on spotting problems some way off and

addressing them before they are serious enough to require a more intensive and expensive response.

- *A radical change of culture is needed.* Public service culture needs to move away from focusing on the inputs and outputs of particular services, towards achieving shared outcome targets eg improving people's health and reducing crime.
- *All levels of government need to be involved.* Neighbourhoods cannot be expected to find solutions to all their problems. Some factors (eg structural economic decline) need outside intervention.
- *Mainstream services are the key.* Sustainable change cannot be effected through area-based initiatives alone.
- *Government as a facilitator.* Government needs to play a role in local joining-up as a facilitator, not as a director or a distant or disinterested party.

Community and Business Partnerships

Community and Business Partnerships are vehicles for community economic development, with the community partner engaging companies as part of mobilising the resources of the community.

This is very different from a traditional fundraising relationship where corporate partners are not engaged and perhaps not even concerned with the impact of their donations. As we noted in our Interim Report, business involvement in partnerships and social causes can have direct business benefits, including marketing advantages, public legitimacy and operational advantages such as lower turnover and improved morale.

In reviewing the many good examples from Australia and around the world, it is possible to identify a number of characteristics that distinguish successful business community partnerships:

- They are multi-dimensional partnerships rather than traditional charitable relationships between business and a community organisation.

Key features: Social partnerships – building community capacity

CONTINUED

- Business is committed to an ongoing relationship with community agencies to build stakeholder relations rather than relying on traditional donations and short term shareholder wealth.
- Community organisations recognise the legitimate requirements of business to build their shareholder wealth and are willing to find ways to assist business build its reputation, enhance employee morale and make a contribution to the community.
- They often take the form of a joint business venture in which social and economic value is added to the business and to the community.
- Government funding to encourage and support community/business partnerships may aid the development of enduring partnerships in highly disadvantaged communities.
- A network exists to support and encourage regional and local community-business initiatives.

The establishment of the Prime Minister's Community Business Partnership Board in 1999 created a vehicle to develop and promote future directions of the partnership concept, recognising the potential benefits for all Australians of encouraging the development of strong and active collaboration between the community and business sectors. Community business partners combine their resources and talents to achieve mutual goals, develop creative solutions to local and regional problems and most importantly, to strengthen community ties.

The main objectives of the Prime Minister's Community Business Partnership program are:

- To educate the Australian community about the Prime Minister's Community Business Partnership concept.
- To develop and market a business case for community business partnerships.
- To assist business and community organisations wishing to establish partnerships.
- To identify incentives to philanthropy and partnerships, and devise appropriate action to address disincentives.

The Reference Group believes that a good start has been made but recognises the need for ongoing dialogue between the government, community and business sector about the strategies for embedding the partnership within the business and community sectors.

The challenge is to foster and facilitate a tradition of Australian business, individuals and community organisations working together in partnership for mutual benefit and the benefit of local communities and the Australian community as a whole.

The Prime Minister's Community Business Partnership program requires the support and involvement of the community sector and business organisations. The longer-term success of the partnership will benefit from the development of local community business networks. In this respect, the Reference Group sees the encouragement and support that can be provided by large corporations with extensive involvement in regional and disadvantaged communities as extremely important.

A good example of community business partnership is provided in the United States by the "From Digital Divide to Digital Opportunity" program which is aimed at lifting people out of poverty. Over 400 high-tech companies responded to a call to provide computers, technical expertise, software and internships to schools and communities in disadvantaged areas. At the same time, the Education Department announced \$44million in grants to establish 214 community technology centres in economically distressed areas across the USA.

The 'digital divide' project is designed to redress the technological imbalance between affluent and low-income America, and to ensure that public and private sector efforts are harnessed to ease the problem. Non profit organisations will also be involved, eg Technology for All, a non-profit organisation, will provide broadband access for 100 computer learning centres operated by the Department of Housing and Urban Development in cities and rural areas.

Key features: Social partnerships – building community capacity

CONTINUED

Social Entrepreneurship

Social entrepreneurs are leaders committed to transforming their communities by using innovative and dynamic approaches and working in alliances across the public, private and not-for-profit sectors. Just as business entrepreneurs are critical to areas such as industry and technology, social entrepreneurs are critical to areas of human need such as revitalising communities, employment, young people, the environment and health. They combine vision and creativity with the ability to focus on the concrete and practical steps needed to bring about changes in society.

Research from the Ashoka Foundation, now over 20 years old, shows that social entrepreneurs, leaders in the social change field, invent social reforms and services through the leveraged use of inter-sectoral resources without limiting themselves to traditional social service or charitable models.

Whilst there is no universal model for such organisations, they have a number of common themes:

- Social enterprises offer enormous scope for addressing complex social needs in effective and integrated ways and in particular, in regenerating communities.
- Rigorous ongoing assessment and critiquing of social enterprises is important in maximising outcomes.
- Social entrepreneurs need to be targeted, supported and developed.
- Training, networking, mentoring, cross-sectoral collaborations and facilitating access to capital, are important factors in the development of social entrepreneurs' ability to address outstanding social problems.

As we said in our Interim Report, social innovation doesn't 'just happen'. It requires visionary leadership, creative energy, a business strategy and a period of incubation. In Australia, as elsewhere, deliberate strategies are required to foster the development of social enterprises and the social entrepreneurs who drive them. The social support system will be

stronger if such strategies are implemented.

The initiatives currently in progress across Australia involve many different players and have used many different methods in pursuing broadly similar goals. Yet the lessons of successes and failures from this great variety of experiences are not broadly shared. What is needed is a process that will help link the various initiatives and build a learning capacity into the network.

The development of a national online clearinghouse for ideas, case studies and general information to support the growth of social entrepreneurship would help social entrepreneurs learn from each other's experiences.

The Reference Group considers that much could be gained from government and business engaged with the academic community through research and discussion in the areas of social entrepreneurship and innovation. What is needed is a platform from which to identify what works and why, to share good practice and promulgate outcomes.

A number of national and international organisations have been established to develop and promote social innovation and social enterprise. Examples include Ashoka, the European Social Venture Network, the Canadian Centre for Social Entrepreneurship and the Community Action Network. Both the Harvard and Stanford Business Schools have also launched social enterprise programs, which focus on innovation.

Micro-businesses

Micro-businesses (fewer than five employees) are responsible for the generation of many jobs each year in Australia, while enabling many people to gain financial self dependence.

Importantly, micro business can act as a source of employment for groups within the community, which traditionally encounter inequity in finding employment as employees.

The Institute of Chartered Accountants commented that, world wide, micro businesses, tend to be dominated by:

Key features: Social partnerships – building community capacity

CONTINUED

- women entrepreneurs
- young people seeking self employment
- displaced workers or retirees seeking self-employment.

Youth Enterprise Promotions Programs (Australia)

There are many programs, organisations and initiatives that provide support to young people in developing their own business:

- Young Aussie Enterprise: an enterprise and employment development program located in Tasmania and Queensland for long-term unemployed young people aged between 15 and 26 years, providing business training and employment.
- Nescafé Big Break: a competition for young people aged 16 to 21 years who have 'a big idea, project or talent'. This program is run by the Nestlé company.
- Youth in Business: a South Australian program of the Northern Metropolitan Youth Association, targeting long-term unemployed young people and providing work space (ie a business incubator), mentor support, finance and training.
- Self Starter: a South Australian program encouraging youth enterprise and entrepreneurship by providing grant funds, mentor support and training to people who wish to start their own business.
- b-generation: a program of the West Australian Small Business Development Corporation (SBDC) that markets a variety of existing business development services to young people through information booklets and a youth-oriented website.

(White 2000)

Micro business also represents a growing proportion of regional private businesses. An analysis (ABS, 1997)

of four regional areas (Eastern Melbourne, Hunter Valley, Northern Rivers and ACT / South Eastern NSW) revealed businesses employing less than five people comprised 70 - 80 percent of all businesses in each region. The importance of such regional expansion in the micro business sector is underlined by the fact that profits tend to stay in the local region.

In addition to financial benefits, local micro business promotes social cohesion. Operators of micro business are more likely to utilise local networks or suppliers, employ local people and re-invest in the region. Small and micro businesses also provide a vital range of services to the region (especially in the case of rural Australia where large businesses are progressively withdrawing their services). Frequently, the operators of micro business are integrated into local communities through service and charitable organisations, and are more likely to contribute to local events and development.

Micro business has the potential to be a crucial factor in strengthening community capacities. It would also appear to provide an ideal opportunity for mature workers to find employment, especially considering their recorded disadvantages in the employer / employee labour market. Most importantly, micro business offers an opportunity for mature workers to maintain their financial self-reliance, and further contribute to local communities and employ others.

Operators and employees of successful businesses can help individuals and communities by sharing their expertise on a voluntary basis. The New Enterprise Incentive Scheme (NEIS), for example, links local business people, in a voluntary mentoring arrangement, with unemployed people developing a micro business. The practical advice and support that NEIS mentors provide is considered one of the reasons for the success of this scheme.

The Reference Group believes the continued and increased support of small business development programs, such as NEIS and business incubator establishment funding, are important strategies for

Key features: Social partnerships – building community capacity

CONTINUED

fostering the spread of micro-businesses, particularly in regional areas and disadvantaged communities.

Recommendations

Medium to long term

E1 Build on the Stronger Families and Communities Strategy and Regional Solutions to develop an ongoing program to promote the building of social capital and the development of social partnerships.

E2 Government, business and community continue to explore together strategies for community capacity building, including research, best practice and opportunities for partnerships in this area.

E3 Broaden opportunities for ongoing dialogue with business regarding their role in the Participation Support System.

Initial steps

E4 Further develop and expand the role of Rural Transaction Centres as a focus for community capacity building in rural and remote communities.

E5 Resource the Prime Minister's Community Business Partnership to promote and support business involvement in social partnerships, including the establishment of local community business networks to support partnerships between business and communities.

E6 Encourage and support companies with extensive involvement in regional and depressed communities to take a leading role in demonstrating the effectiveness of community-business partnerships.

E7 Develop pilots to encourage business to invest in community economic development and to provide business leadership skills to disadvantaged communities to help generate community economic development.

E8 Ensure that the Stronger Families and Communities Strategy is implemented with the close participation of business and community innovators.

E9 Develop strategies to foster the growth of micro-businesses, particularly in regional and other disadvantaged communities.

E10 Develop an on-line clearinghouse for ideas, case studies and general information to support the growth of social entrepreneurship.

E11 Continue and increase support for small and micro business development programs such as the New Enterprise Incentive Scheme and funding for the establishment of business incubators.

E12 Review programs across government which support community capacity building and encourage social partnerships in order to ensure the most effective targeting of resources and the identification and application of good practice.

PART 3

Consolidated recommendations

Consolidated recommendations

Introduction

As well as recommendations to give effect to a new Participation Support System in the medium to long term, the Reference Group has recommended some initial steps the Government might take to commence implementation. The Reference Group has also made some specific recommendations on research and evaluation, to ensure that implementation is guided by a firm base of information and analysis.

Initial Steps

A. Individualised service delivery

A2 Detailed design of an individualised service delivery system including:

- The assessment and streaming, broker and service provision roles, with consideration of the respective roles of government and non-government agencies.
- The role and specification of participation plans.
- Systems for monitoring outcomes from interventions, and feedback loops between service providers, brokers and the gateway agencies.
- A system to assemble data from service interventions to be publicly available for research purposes in order to build the research base on the outcomes of different interventions for people with different characteristics.

A3 Develop, through a consultative process with key stakeholders, and trial more sophisticated assessment or profiling tools to assist in the assessment process and determine access to services, building on the current JSCI and WAT tools, and taking account of the risk factors associated with likely long term income support reliance.

A4 Commonwealth and State Governments identify the gaps in service provision and break down the current barriers between service provision markets so people can move more easily between programs as their circumstances change.

A5 Expand the range of assistance for mature age people who have become or are at risk of long term joblessness. Assistance measures might include financial counselling, personal counselling, access to Job Network services and other relevant programs and assistance for return to work needs.

A6 Solicit through the Job Network and other employment assistance programs, employers and organisations that are prepared to offer work experience for mature age jobless people (including voluntary work), perhaps with a focus on small business.

A7 Expand and market the JET program to meet expected demand under a mutual obligations framework for parents and change program funding to ensure long-term outcomes for parents are achieved.

A8 Develop a better means of assessing the capacity of people with disabilities to participate in employment and other activities. Consideration should be given to the results of the Government's Assessment and Contestability Trial for People with Disabilities and the limitations on both the effectiveness of the Work Ability Tables and the appropriateness of utilising treating doctor's opinions in the measurement of work capacity.

A9 Move towards a significant change in the framework of employment services to people with a disability, including a greater focus on outcomes, earlier intervention, better case monitoring and support for job seekers with a disability. The evaluation of the Government's Assessment and Contestability Trial for People with Disabilities should inform this process.

A10 In consultation with indigenous communities, trial innovations in service delivery for Indigenous people. These might include culturally and locationally appropriate approaches in the context of individualised service delivery, contracting, training and supporting skilled local community-based organisations to perform one-to-one servicing, and use of video-conferencing and other

Consolidated recommendations

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telecommunications technology to support the one-to-one contact model.

A11 Further investigate ways in which children from disadvantaged families can be assisted via access to quality child care, taking account of the outcomes of the Government's Family Crisis Child Care Pilots.

A12 In consultation with ethnic communities, trial innovations in service delivery for people of culturally and linguistically diverse backgrounds. These might include culturally and locationally appropriate approaches in the context of individualised service delivery, contracting, training and supporting skilled local community-based organisations to perform one-to-one servicing, and use of video-conferencing and other telecommunications technology to support the one-to-one contact model.

A13 Commission regular evaluations of service interventions using the data made available under recommendation A2 above.

B. Simple and responsive income support structure

B3 Develop a participation support payment structure including:

- Simulation and costing of alternative approaches, including likely behavioural effects on labour supply, and the feedback effects to the Budget and on income distribution.
- Consultation with key interest groups.
- Input from relevant academic and policy experts.

B4 Reconceptualise existing income support payments for people of workforce age as 'participation support payments' to ensure a more consistent approach to income support for people of workforce age (recognising individual capacity and circumstances).

B5 Integrate existing payments (Newstart, Mature Age Allowance, Widow Allowance and Partner Allowance) for mature age jobless people into a single payment to simplify existing arrangements and link income support and participation assistance more closely.

B6 Simplify and rationalise Newstart Allowance, Sickness Allowance and Austudy into a single payment for adults who are in the labour market and/or education. This would replicate the introduction of Youth Allowance for younger unemployed people and students, simplify arrangements and provide greater consistency of treatment across these payments.

B7 Further investigate cash and/or in-kind assistance for the costs of disability, as part of the development of a participation support payment.

C. Incentives and financial assistance

C4 Develop the research base necessary for further policy development on work incentives, encompassing:

- The optimum withdrawal rates and means tests structures for the participation support payment and needs-based supplements.
- The best approach to improving in-work benefits.
- The balance between incentives for full-time work as well as part-time work.
- Interactions between the participation support system and the wage setting system.

C5 Undertake pilots to test the merits of alternative approaches that address the costs of participation and the transition from income support reliance to paid employment, encompassing:

- Alternative approaches to participation supplements / accounts, testing alternative design features as discussed earlier in Section C.
- Return to work benefits, eg return to work earnings supplements.
- Income contingent loans for higher cost education, training and small business start up costs.

It is important to ensure as far as possible, that such pilots are carefully designed and are randomised.

C6 Introduce a transition bank and associated administrative measures to improve the incentives for and returns from casual work and provide a

Consolidated recommendations

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smoother transition to paid employment for people on income support.

C7 Reduce the very high effective marginal tax rates for families caused by the overlap between the means tests for FTB (A) and the Youth Allowance Parental Income Test.

C8 Governments work together to identify ways to mitigate the negative financial effects of paid work on public housing tenants, with the aim of improving incentives for people in public housing to take-up paid work.

D. Mutual obligations

D5 Develop an overarching mutual obligations framework for the Participation Support System which incorporates the respective roles of government, business, communities and individuals.

D6 Develop a model for mutual obligations that:

- Emphasises the expectation on recipients to undertake some form of economic or social participation, consistent with their individual capacities and life circumstances.
- Incorporates both a set of broad expectations and a set of minimum requirements (reflected in legislation), which should be developed with consultation to ensure expectations and requirements reflect community norms and values.
- Is implemented in a way that maximises voluntary compliance and provides that alternative approaches to sanctions are considered before financial penalties are imposed.

D7 Develop mutual obligations guidelines for indigenous people that strengthen existing family and community structures, including expanding the current menu of acceptable activities for jobless people to include other forms of social or cultural participation.

D8 Government, business and communities assist people from overseas overcome barriers to participation, including appropriate access to

participation support services and development of culturally appropriate requirements.

D9 Implement a mutual obligations framework for mature age jobless people, which requires some form of participation with a priority on economic participation where appropriate.

D10 Business, government and community jointly establish a comprehensive set of early intervention arrangements to enable retrenched mature age workers to receive their employee entitlements and to receive early referral for appropriate levels of assistance.

D11 Establish a national framework of triple bottom line (social, environmental and economic) auditing for the corporate sector sponsored by the Prime Minister's Community Business Partnership with business organisations and professional associations.

D12 Implement, with phased transitional arrangements, a participation model of income support for parents with the following features:

- The substantial caring responsibilities of those with children under school age (six years of age) and those caring for a child with a disability be regarded as meeting participation requirements.
- Parents with primary school aged children (six to thirteen years of age) be required to attend an annual compulsory interview to discuss their current and future capacity for increasing participation. Parents could choose to enter into a voluntary participation plan, which linked them to available assistance for education, training, employment and other forms of participation.
- Parents of high school aged children (thirteen and over) be required to enter into a Participation Plan, including job readiness and needs assessment, part-time job search, part-time employment or part-time preparation for paid employment (including education, training, or other relevant forms of participation).

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D13 Develop participation expectations and requirements for people with a disability in the light of the outcomes of the Disability Assessment and Contestability Trial.

D14 Review the capacity for work criterion (the 30-hour threshold) for people with disabilities ensuring that any such criterion is in line with contemporary patterns of labour market participation.

D15 Review the level and nature of support for long term unemployed people to provide recognition and incentives for business to employ jobless people.

D16 Government and business to work in partnership to achieve attitudinal change and improve incentives and recognition for business to employ people at risk of long term joblessness. New initiatives could build on:

- The Employer Incentives Strategy for people with disabilities, to increase awareness and take up of provisions that support the employment of people with disabilities.
- The Indigenous Employment Strategy to increase awareness and take up of provisions that support the employment of Indigenous Australians.
- Good practice codes in industry for family friendly work environments, the development of awareness, training and resource materials about family friendly practices and the Corporate Work and Family Awards.

In addition, specific initiatives are required to publicise the contribution that mature age people make to businesses and the community and to counter age discrimination in employment, which places mature age people at high risk of long term joblessness and social disadvantage.

E. Social partnerships: building community capacity

E4 Further develop and expand the role of Rural Transaction Centres as a focus for community capacity building in rural and remote communities.

E5 Resource the Prime Minister's Community Business Partnership to promote and support business involvement in social partnerships, including

the establishment of local community business networks to support partnerships between business and communities.

E6 Encourage and support companies with extensive involvement in regional and depressed communities to take a leading role in demonstrating the effectiveness of community-business partnerships.

E7 Develop pilots to encourage business to invest in community economic development and to provide business leadership skills to disadvantaged communities to help generate community economic development.

E8 Ensure that the Stronger Families and Communities Strategy is implemented with the close participation of business and community innovators.

E9 Develop strategies to foster the growth of micro-businesses, particularly in regional and other disadvantaged communities.

E10 Develop an on-line clearinghouse for ideas, case studies and general information to support the growth of social entrepreneurship.

E11 Continue and increase support for small and micro business development programs such as the New Enterprise Incentive Scheme and funding for the establishment of business incubators.

E12 Review programs across government which support community capacity building and encourage social partnerships in order to ensure the most effective targeting of resources and the identification and application of good practice.

Medium to Long Term

A. Individualised service delivery

A1 Implement a new individualised service delivery system based around the following:

- Effective coordination between Government departments and across all levels of government and the social support network.
- Integration of income support and other services through a central gateway to brokerage and service delivery.

Consolidated recommendations

CONTINUED

- Streaming of people into different levels of service interventions based on an assessment of individual (not categorical) needs, capacities and circumstances, using high quality assessment staff and sophisticated assessment or profiling tools that take account of the risk factors associated with likely long-term joblessness.
- Linking services, brokers and the assessment role as part of the ongoing monitoring of outcomes, enabling the system to be responsive to diverse circumstances and needs.
- Provision of a continuum of assistance through further development of the network of economic and social participation services and breaking down the barriers between service delivery markets to ensure that people can move easily between services as their circumstances change.
- An integrated IT system encompassing the whole participation system, providing the link between improved targeting of assistance and outcomes.

B. Simple and responsive income support structure

B1 Implement, in managed stages, an integrated support payment system, which provides adequate income support and incentives for participation including:

- A common base payment for all eligible persons.
- Needs based additional payments (according to different family circumstances, costs of disability etc).
- Participation supplements to assist with the cost of achieving economic participation.

B2 Bring payment withdrawal rates for a participation support payment together to achieve the best balance between targeting assistance to need and providing incentives for self-reliance and taking account of likely impacts on labour force behaviour.

C. Incentives and financial assistance

C1 Introduce an integrated participation support payment system which:

- Ensures strong incentives for both part-time and full-time work.

- Targets assistance to need and provides incentives for participation.
- Extends in-work benefits.

C2 Adopt participation supplements / accounts to help meet participation costs and assist with the transition to employment.

C3 Consider the introduction of income-contingent loans to meet the costs of more expensive forms of education, training and self-employment start-up.

D. Mutual obligations

D1 Government will continue to resource an adequate safety net of income support and related programs to alleviate poverty and provide opportunities for social and economic participation for jobless families and households.

D2 Ensure that all levels of government continue and increase their resourcing of community capacity building, particularly in the development of leadership in disadvantaged communities and local community defined projects, with the aim of improving opportunities for economic and social participation.

D3 Ensure a forum is available for continuing dialogue with business about their social obligations, with a view to increasing the participation opportunities for people on income support.

D4 Implement the overarching mutual obligations framework for the new Participation Support System.

E: Social partnerships: building community capacity

E1 Build on the Stronger Families and Communities Strategy and Regional Solutions to develop an ongoing program to promote the building of social capital and the development of social partnerships.

E2 Government, business and community continue to explore together strategies for community capacity building, including research, best practice and opportunities for partnerships in this area.

E3 Broaden opportunities for ongoing dialogue with business regarding their role in the Participation Support System.

Consolidated recommendations

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Additional Research and Evaluation

Introduction

The approach to reform recommended in this report is strategic and long-term in nature. As such research and evaluation of the ongoing reform process will be very important. Findings from this research will enable the refinement of the reform process as it proceeds.

There are four major dimensions to this research agenda. These include:

- “Prospective” research on the likely effects of possible reforms - eg modelling effects of possible changes to work incentives, including the modelling of behavioural responses.
- Experimental “pilot studies” of policy ideas - such studies compare the outcomes for a target group with the outcomes for a control group.
- Evaluations (after the event) of the effects of policies that are implemented.
- Research of a general or background nature that provides information that is valuable in providing contextual information in the reform process.

Many of the policy recommendations that we have made above have an important research ingredient. For example, the policy pilots are a form of research. Also, our medium to long term recommendations for reforms to the income support system and incentives therein, were all contingent upon further research involving costing and modelling alternative approaches.

For policy recommendations that incorporate research and evaluation see recommendations A2, A3, A8, A10, A12, B3, B7, C4, C5, D11, D12, E2.

However, there are other avenues of research and evaluation, in addition to those incorporated in above listed policy recommendations, which we believe that it is important to outline. That is the purpose of this section of the report.

First we outline additional research recommendations that relate to the five features of the proposed

participation support system. We then go on to outline research that we believe will be important in evaluating the performance of the system in relation to the three aims that we identified as desired outcomes in the introduction to the report.

Five features

Individualised service delivery

1 Evaluation of the Government’s pilots relating to people with a disability, mature age people, long term unemployed people, workless families and lone parents, including identification of the risk factors for long-term joblessness, outcomes from different assessment processes, and cost-benefit analysis of service interventions.

Simple and responsive income support structure

2 Monitoring the progress and effects of any staged reforms (especially using longitudinal studies), and investigating the enhancement of administrative information systems to enable detailed analysis of the changes and their effects.

Incentives and financial assistance

3 Monitoring the progress of further reforms (in addition to the impact of the New Tax System (ANTS) package) and their effects (using specific longitudinal studies as well as administrative information that enables detailed analysis of the changes and their effects).

Mutual obligations

4 Research into best practice in assistance for transition towards retirement.

5 Evaluation of the implementation of participation expectations and requirements for mature aged jobless people and parents.

Social partnerships: Building Community Capacity

6 Research and analysis in the areas of social capital and community capacity building including social partnership initiatives to provide economic and social economic participation opportunities for people on income support, including piloting alternative approaches.

Consolidated recommendations CONTINUED

The three objectives

Outcome 1: A significant reduction in the incidence of jobless families and households.

7 Research to be undertaken to develop good measures of the nature and extent of jobless families and households in Australia, the causes of jobless families, and projections of the likely extent of this problem, and the risk factors associated with jobless families and households remaining jobless for extended periods.

Outcome 2: A Significant reduction in the proportion of the working age population who need to rely heavily on Income Support.

8 Research to be undertaken to develop good measures of the nature and extent of heavy reliance on income support in Australia, the causes of heavy reliance on income support and projections of the likely extent of this problem in the future should current trends continue and the risk factors associated with heavy reliance on income support.

Outcome 3: Stronger communities that generate more opportunities for social and economic participation.

9 Research to be undertaken with a view to measuring the extent of economic and social participation opportunities, to monitor and benchmark the capacity of communities to provide economic and social participation opportunities, the factors that determine this capacity and the success of community based policy initiatives in enhancing the capacity of communities to provide economic and social participation opportunities.

Attachments

Attachments

A. REFERENCE GROUP – TERMS OF REFERENCE AND MEMBERSHIP

Terms of Reference

The Government wishes to provide ways of assisting people who are disadvantaged that strike a better balance between its ongoing commitment to maintain a strong safety net and its responsibility to develop policies and strategies allowing all Australians to participate fully in the workforce where they are able. In this context, the Government is concerned that there is an increasing reliance by Australians on welfare, with around one in five people of workforce age on income support payments. Six principles have been identified in order to guide the reform required in this area:

- Maintaining equity, simplicity, transparency and sustainability.
- Establishing better incentives for people receiving social security payments, so that work, education and training are rewarded.
- Creating greater opportunities for people to increase self-reliance and capacity building, rather than merely providing a passive safety net.
- Expecting people on income support to help themselves and contribute to society through increased social and economic participation in a framework of Mutual Obligation.
- Providing choices and support for individuals and families with more tailored assistance that focuses on prevention and early intervention.
- Maintaining the Government's disciplined approach to fiscal policy.

To ensure a process of consultation with the community, the Government has established a Reference Group comprised of representatives from the community sector, business, academia and government. The Group will provide advice to enable the Government to develop a comprehensive Green Paper on welfare reform.

The Reference Group has the following terms of reference:

- a. Adopting the reform principles established by the Government to provide advice on:
 - I. Options for change to income support arrangements aimed at preventing and reducing welfare dependency by those of workforce age; and
 - II. Other options relating to the provision of associated services, including employment, education and training, that would assist in preventing and reducing welfare dependency.
- b. In providing this advice, the Reference Group will give particular consideration to:
 - I. The broader application of Mutual Obligation.
 - II. Demographic changes.
 - III. Sustainability of the current system
 - IV. The particular incentive effects associated with the design of social security payments for people of workforce age.
 - V. International best practice.
- c. In framing its advice, the Reference Group will draw on community input and call for submissions from interest groups and the broader community.

An interim Report from the Reference Group will be provided to the Minister for Family and Community Services early in the year 2000, with the final draft to be provided to the Minister by 30 June 2000.

Membership of Reference Group

Mr Patrick McClure

Chair
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Mr Wayne Jackson

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Attachments CONTINUED

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Attachments CONTINUED

B. THE NEED FOR CHANGE

(This section appeared in the first part of the Reference Group's Interim Report)

In brief

The key arguments for a significant change in Australia's social support system are as follows:

- Australia has a strong labour market, but employment opportunities are not being shared fairly.
- An unequal distribution of employment is resulting in a growing reliance on income support, with negative consequences for many individuals and families and the system itself.
- Economic growth, on its own, will not address the problem of entrenched economic and social disadvantage for many people.
- The social support system has not responded adequately to changes in our economy and society.
- It is therefore highly unlikely that these problems can be addressed effectively without a major re-orientation of social support arrangements.

The distributional problem

Joblessness and income support reliance

Over the past thirty years the proportion of workforce-age population in paid work has risen and joblessness has declined. At the same time, the proportion of the workforce age population receiving income support more than quadrupled. This apparent contradiction reflects an increasingly unequal distribution of employment and joblessness.

One of the strengths of Australia's social support system is its provision of a safety net to alleviate immediate financial need. However, the persistence of high levels of joblessness, and receipt and reliance on income support, during a period of strong employment growth and falling unemployment is a major concern. Appendix 2 of the Interim Report provides more detail about some of these trends.

Between 1965 and 1998, the employment to population ratio rose slightly from 66 percent to 69

percent, while the proportion receiving income support increased enormously from five percent to 22 percent. While the employment to population ratio has increased since the end of the economic recession in 1993, there has been no reduction in the proportion of workforce-aged people receiving income support. Expenditure on income support for workforce-aged people, as a proportion of Gross Domestic Product, increased from 0.6 percent in 1970 to 3.3 percent in 1998, or five and a half times, while the proportion of workforce aged people receiving income support over that same period increased fourfold.

There has been a growing divide between the 'work rich' and the 'work poor' since the early 1980s. In that time, the number of two-income couples increased markedly, while the decline in families with one earner was matched by an increase in families with no earner. Among single people, there is also now a higher proportion without paid work.

Jobless families

Joblessness does not necessarily lead to social and economic disadvantage if it is confined to a short period of unemployment.

Over the past few decades, Australia has gone from a country in which nearly every household contained at least one person in (usually full-time) paid work to one in which many households have no-one in paid work. At the other end of the spectrum there has been a growing proportion of households with two or more persons in work and a declining proportion with only one person in work (Dawkins 1996, Miller 1998). This trend is further elaborated in Appendix 2 of the Interim Report.

In June 1999, some 160,000 couples with dependent children had neither parent in paid work. At the same time, there were about 280,000 jobless lone parent households¹. These households contained around 860,000 children, representing 17 percent of dependent children in Australia. Data collected by the OECD (1998) indicate that Australia has one of the highest levels of joblessness among families with children in OECD countries.

¹ However, a number of children in lone parent households have a non-resident parent in paid work, contributing to their welfare.

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Long-term joblessness among families with children is of particular concern because of its impact on the children in those families. Longitudinal social security data (Pech & McCoull 1999) show that, between the ages of 16 and 18, young people from income support recipient families are much more likely than other young people to become parents at an early age, leave school early, receive income support and be highly income support reliant themselves. For all of these outcomes but the first, the risk is highest for young people whose parents have received income support continuously for at least two years.

Joblessness and geographical location

Employment and unemployment have become more unequally distributed between regions and localities.

Recent economic recessions and developments in international trade have significantly reduced employment in those regional economies most heavily dependent on primary industries. Agriculture's share of total employment in non-metropolitan regions fell from 18 percent in 1981 to 12 percent in 1996 (Productivity Commission 1999). Many of these regions and localities have less diversified economies than the main urban centres and as a result have not been able to make the structural adjustments required to restore past employment levels.

Employment and income has also become less equally distributed within the major urban centres. Neighbourhoods with higher employment and income levels improved their position relative to neighbourhoods with lower employment and lower average incomes (Gregory & Hunter 1995). This is largely due to the unequal distribution of employment gains across different families, described elsewhere in this report. It is also due in part to the decline in manufacturing employment, following the scaling down of industry protection over the past few decades.

The most disadvantaged regions have poorer educational, social and transport infrastructure as

well as reduced employment opportunities. Cheaper housing (including public and community housing) in such regions may tend to attract unemployed and underemployed people with lower education and skill levels, including many in receipt of income support, adding locational disadvantage to their existing barriers to accessing employment.

Growing reliance on income support

Consequences for individuals

Many people still need long-term income support and services that enable them to participate in the community. However, it may be harmful for people to be outside the paid workforce for long periods of time.

Disengagement from the paid workforce, which leads to long-term reliance on income support, can be harmful for individuals, for their families and for the communities in which they live. Long periods out of paid work reduce lifetime earnings and lead to loss of skills and self-confidence. These in turn increase the risk of longer-term poverty and decrease the probability of a successful return to work in the future.

At least one in seven Australian adults of workforce age rely on income support for most of their income².

People who receive 90 percent or more of their income from government cash benefits are clearly financially reliant on income support. Income distribution data from the Australian Bureau of Statistics show that in 1997-98 about 14 percent of workforce age adults were reliant to this extent.³ The groups most likely to be highly reliant on income support were lone parents, people over the age of 55 and single people without children (ABS 1999c).

There are some groups of people for whom long-term reliance on social support is entirely appropriate. These include people of age pension age (who are not the focus of this Report), people with disabilities that prevent them from undertaking paid work and people who provide care for frail aged people or people with disabilities. People in these situations need a secure and adequate income,

² It is not easy to determine how many Australians are heavily reliant on income support for long periods of time. Most data on the proportion of income from income support relate only to one point in time. These can be supplemented by social security data on the length of time over which people have been receiving an income support payment. The Department of Family and Community Services is currently developing data sources that will provide this information over time.

³ This is a lower proportion than suggested by income support data. The difference is due in part to what is being measured (reliance rather than receipt) and in part to the fact that the ABS survey data do not cover the whole adult population.

Attachments CONTINUED

together with services that enable them to participate in the community to the extent they can.

Long-term receipt of income support is also appropriate if that time is spent in activities like caring for young children or in acquiring human capital through full-time education.

Recent trends and contributing factors

Many factors have contributed to, or have been associated with, the increasingly unequal distribution of employment and income support reliance: including high unemployment, changes in labour market composition, demographic changes, globalisation and technological change.

Unemployment

- The previous two major economic downturns (in 1982 and 1991) saw rapid rises in the level of unemployment (and income support recipient numbers) followed by more gradual increases in employment in the periods of economic growth.
- During recessions, some demographic groups lose more employment than others do. In the 1990s many new jobs appear to have gone to people in households with at least one person already in work rather than to people in jobless households.
- Between 1989 and 1999, employment grew significantly among women, partnered people and students living at home with their parents. These were also the groups that lost least employment between 1989 and 1993.
- By contrast, groups whose employment was most adversely affected by the previous economic downturn (men, lone parents, 15-24 year old non-students and people living with non-relatives) have not yet made up those employment losses in the subsequent period of employment growth. Because jobless people in these categories are more likely to receive income support, reductions in income support receipt have not been commensurate with the reduction in joblessness.

Underemployment and marginal attachment to the labour force

- Many employed people (almost one-quarter of all part-time workers) would prefer to work longer hours. The Australian Bureau of Statistics has estimated that in September 1998, underemployed workers wished to supply an additional 7.6 million hours of work per week, the equivalent of 200,000 full-time jobs. Moreover, the incidence of underemployment has increased over time, especially among men (ABS 1999b).
- There is a further large group of people regarded as marginally attached to the labour force, who would like a job but are not taking active steps to find one. In September 1998, there were some 860,000 people in this category, of whom over 40 percent had government cash payments as their main source of income (ABS 1999a).

The composition of employment

- There have been significant changes in the balance between blue collar and white-collar jobs, male and female employment, full-time and part-time and other non-standard jobs and between unskilled and semi-skilled to skilled employment.
- While there are some predictions that the demand for some less-skilled workers will increase, it is likely that this will continue to be in different industries than in the past⁴. People who do not have appropriate skills to participate in the new economy (including many older people) face significantly higher risks of economic exclusion, which may lead in turn to increasing social exclusion.
- The distribution of earnings for full-time workers (both men and women) has become more unequal over the past twenty years due to larger gains having gone to workers with higher levels of skills and income (Norris & McClean 1999).

Demographic changes

- Demographic trends have also influenced trends in

⁴ The submission to the Reference Group from the Department of Employment, Workplace Relations and Small Business (DEWRSB) suggests that future job growth will be strongest in skilled occupation groups, such as professionals and associate professionals. Among lower skilled occupation groups, there will be quite strong growth for elementary clerical, sales and service workers, but little among 'blue-collar' groups, such as tradespersons.

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social security recipients. The proportion of couples with children has been falling, while the proportions of lone parent families and couples without children have been growing. Of all families with dependent children, one fifth are now lone parent families. Another important factor is the ageing of the baby boomers who are now moving into their forties and fifties. It is people in these older age groups who make up the bulk of disability support pension recipients.

Globalisation and technological change

- Globalisation and technological change have increased demand for workers with more education and higher skills and reduced job opportunities in the industries that traditionally employed low-skilled workers. As a result, the number of employed people with post-school qualifications is growing at a faster rate than the number without post-school qualifications. Among full-time employees the growth of high paid jobs has been much stronger than the growth of medium and low paid jobs (Norris and McClean 1999).

Future economic and demographic trends

The Reference Group looked at the likelihood of various future economic and demographic trends and we are confident that the fundamental reorientation of the social support system we are suggesting remains appropriate.

Examples of scenarios discussed include:

- If there is continuing strong economic growth the labour market opportunities for income support recipients should be higher than at present, but it will be very important for them to be increasingly job ready and able to grasp opportunities that present themselves. This in turn could help to reduce the bottlenecks faced by the economy and help to sustain economic growth however the outlook is viewed.
- Alternatively, an economic downturn could occur at some stage in the next few years. This would not lessen and would, arguably, increase the need for effective support for those seeking employment placement.

- Declining fertility and the associated ageing of the population is likely to give rise to a smaller labour force relative to the total population. Depending on what happens to labour demand, one possibility is substantially reduced unemployment and severe labour shortages. The possibility of labour shortages provides a further rationale for ensuring that large numbers of people are not discouraged from economic participation.
- If current socio-demographic trends continue, the numbers of income support recipients may increase. The number of lone parent families may continue to rise. The number of people receiving Disability Support Pension has been growing steadily for many years, and if unemployment continues to fall, the number of disability support pensioners may in time surpass the number of people on unemployment payments. We also note that if age specific rates of income support were to be maintained, there would be a modest rise in the number of workforce age income support recipients by 2010, due largely to the 'baby-boomers' moving into the age brackets between 45 years and age pension age.
- We have noted that technological change and globalisation have contributed to the widening distribution of job opportunities. We do not see any signs of this effect abating in the near future.
- The future adequacy and comprehensiveness of the social support system depends heavily on its overall sustainability. If the trend of increasing income support reliance among workforce age people is not halted or reversed, the sustainability of the social support system may be compromised.

Current income support system has not adapted

The social support system has not kept pace with the significant economic and social changes described above.

Although there has been incremental reform, the social support system has its origins in a fundamentally different economic and social environment. It was designed during a time of low

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unemployment, generally of short duration, and when the most common family type was a couple with children and a principal male breadwinner.

Social security was provided for a small minority of cases in which a family was unable to provide for itself, due to unemployment or severe disability, or where there was a sole parent. Such benefits were means-tested to ensure that support went to those with obvious needs.

The growth of unemployment, the rising trend of lone parenthood and an ageing population has made income support a less exceptional circumstance.

These changes have resulted in a growing array of benefit types with associated payments and means test (Appendix I of the Interim Report sets out existing income support provisions and related payments). The increasing complexity of the system and high effective marginal tax rates, along with the compartmentalisation of the system, and the rising numbers on income support, has led to the Reference Group's conclusion that the system needs fundamental reform.

In the view of the Reference Group, there are four particular shortcomings with the existing income support provisions and associated support services:

- The current rigid categorical array of pensions and allowances for people of workforce age is overly complex and relies heavily on presumptions about capacity for participation within particular groups of people rather than recognising the diversity of each individual's capacity and circumstances.
- Incentives for participation could be improved and some forms of work are not sufficiently rewarded.
- There is insufficient recognition of the many forms in which people make a contribution, including social participation.
- The service delivery arrangements and access to services are fragmented and not sufficiently focussed on participation goals for all people of workforce age.

Reform in a dynamic labour market

Participation and recorded unemployment

Some submissions have raised the possibility that increasing the extent of economic participation among income support recipients will simply increase recorded unemployment. We consider that this is too pessimistic a view for various reasons:

- It ignores the considerable turnover in the Australian labour market. There are always new job opportunities for some of the people who are currently jobless. Some of these jobs are not particularly secure, but for people who have been excluded a temporary job is better than not having a job.
- Increased economic participation will improve the efficiency of the labour market and reduce the likelihood of future labour shortages. Prospective employers will have access to a larger pool of possible employees. If jobseekers have the right skills and are effective in their job search, vacancies will be filled more quickly and there should be less aggregate unemployment for any given level of job vacancies.
- When more people have wages to spend, they increase demand for goods and services and in turn the demand for labour.
- If we can help more people on income support compete successfully for new jobs, we should be able to reduce overall expenditure on income support. Reducing the call on income support and other social expenditures will support continued economic growth and improve the sustainability of these systems in the face of an ageing population.

Labour force turnover

At face value Australia's high level of job turnover might be regarded as a problem in itself, but it may also create employment opportunities for income support recipients.

The Australian labour force is highly dynamic. Every month jobs are lost and gained and significant

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numbers of people change their labour force status⁵. For example, it is estimated that between July and August 1999 about four percent of people who had been employed lost or left their jobs and over five percent of people who had been jobless gained employment. There were significant movements of people from unemployment to employment (most often to part-time work) and from part-time work to full-time work (ABS 1999e).

This turnover means that many more people are employed at some time over the course of a year than have paid work at any point during that year. In February 1999, for example, some 9.3 million people aged 15 to 64 had worked at some time during the previous 12 months, compared with the 8.5 million who had a job at that time. Some 81 percent of the workforce-age population had participated in the labour force at some time during the year, compared with 74 percent in February 1999 (ABS 1999d).

Skill requirements

It is important to ensure that the quantity and skills of the labour force match demand and to recognise that these will change over time.

As well as the quantity of labour supply, the skills that people possess are of major importance in a world in which technological change and globalisation is favouring more skilled and adaptable workers. This suggests that continued investment by governments, employers and individuals in skills creation and maintenance will be critical to the success of the future labour market.

⁵ A person's labour force status is either employed full-time, employed part-time, unemployed or not in the labour force.

Attachments CONTINUED

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D. TREATMENT OF CASUAL EARNINGS AND A TRANSITION BANK

The concept of an income bank is to allow income support recipients with seasonal or intermittent casual work to be treated similarly under the income test compared to recipients who have earned the same amount of income more evenly over a period of time through part-time work. It achieves this by allowing recipients to build up a 'bank' of their unused income test free areas over time (up to a certain limit). Once a person with an income bank balance undertakes work, their income is offset against this income bank balance until the balance is reduced to nil. The normal income test would then apply to additional income above the balance.

Charles is a single 55-year-old man who was retrenched some years ago after working in a factory for 30 years. Despite having a wide range of skills, he has found it difficult to get ongoing work. He now does casual work as a handyman with a small home maintenance business, where he is paid by the job. This means that his earnings are very variable and that sometimes he has no work for relatively lengthy periods.

At present, Charles' entitlement to Newstart Allowance is assessed on a fortnightly basis. He notifies Centrelink each fortnight of the amount he has earned and his payment is adjusted accordingly. The example below shows how Charles could earn \$1 300 over a 6-month period and lose almost half that amount from his Newstart Allowance. By contrast, a person who earned \$100 a fortnight from a regular part-time job for the same total income would lose \$19 a fortnight (\$247 in total).

Fortnight(s)	Earnings	Reduction in Newstart Allowance (\$344.90 pf)
1 to 4	Nil	Nil
5	\$50	Nil
6	\$400	\$220.60
7 to 9	Nil	Nil
10	\$100	\$19.00
11	\$450	\$255.60
12	Nil	Nil
13	\$300	\$150.60
Total	\$1 300	\$645.80

If Charles had access to a transition bank, he would be able to 'save up' the allowance free area that he didn't use (up to \$62 a fortnight). This would give him a bigger free area to offset against his earnings when he could get work. The example below shows how the transition bank could work.

Fortnight(s)	Earnings	Unused free area	Transition bank balance	Reduction in Newstart Allowance
1 to 4	Nil	\$248	\$248	Nil
5	\$50	\$12	\$260	Nil
6	\$400	Nil	Nil	\$39.00
7 to 9	Nil	\$186	\$186	Nil
10	\$100	Nil	\$148	Nil
11	\$450	Nil	Nil	\$152.00
12	Nil	\$62	\$62	Nil
13	\$300	Nil	Nil	\$107.20
Total	\$1 300			\$298.20

With the transition bank, Charles would be able to keep almost \$350 extra from his earnings. Although he would still lose more allowance in total than a person with the same amount of income from regular work, this differential is now much smaller.

An income bank can also assist longer-term recipients who are able to take ongoing casual or part-time work, by defraying the initial costs of first starting work. It can achieve this by offsetting the initial earnings against the person's income bank balance, thus allowing the person to retain more of their earnings.

It can also assist some recipients who have an income bank balance and have earned but not yet received their wages. Income is assessed in the fortnight it is earned, not when it is received, so offsetting of income not yet received against income bank credits reduces the risk that a person will be left without any or adequate income for short periods.