



The  
AUSTRALIAN NATIONAL ORGANISATION  
of the UNEMPLOYED

*Submission to;*

**“Australia’s Demographic Challenges”**  
Social Policy Division,  
The Treasury,  
PARKES, ACT.

**1 May 2004**

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## List of contents.

<b>Page</b>	
1.	The ANOU, snapshot profile
2.	Perspective.
3.	About this submission.
4 - 5	Preface.
6.	Introduction.
7 - 8.	Improving capacity for work.
9 - 10.	Better incentives.
11 - 12.	Supporting more flexible work options.
13.	So what are the choices? Choice 1,
14.	Choice 2.
15.	Choice 3 and 4.
16.	Choice 4.
17.	Work for the Dole.
18.	Community Work / Voluntary work.
19.	Training / Mature age workers.
20 - 21.	Job creation.
22.	Employment services / Workforce age.
23 - 24.	Workforce age / Conclusion.
25 - 27.	Summary of recommendations.

**The AUSTRALIAN NATIONAL ORGANISATION  
of the UNEMPLOYED**  
*a Snapshot Profile*

**Founded in 2000, the ANOU is;**

*Unemployed People ...  
Speaking for Themselves ... Fighting for Their Rights.*

- ❖ A federation of un(der)employed people's organisations in all states.
- ❖ Not for profit, unfunded, no source of income, operated by unpaid, unemployed volunteers, only some of whom receive a govt. payment.
- ❖ Neither aligned with nor opposed to, any particular political or religious ideology. We have not sought funding from any federal or state govts.
- ❖ A policy and systems advocacy concerned primarily with federal govt. policies. The ANOU does not take up the cases of individuals.

**Mission.**

- ❖ To defend the rights and advance the interests of Australians who are involuntarily unemployed, under-employed, or unpaid.
- ❖ To work with all people of good will on shared interests and goals.
- ❖ To pursue the rights and protections guaranteed by UN treaties, incl;
  - Universal Declaration of Human Rights-1948.
  - International Covenant on Economic, Social & Cultural Rights-1966.
  - International Labour Organisation (ILO) Conventions.
  - Universal Declaration on Volunteering.
- ❖ To secure a seat at the table wherever national policy development or review impacts the lives of un(der)employed people and their families.
- ❖ To advance the *R.O.A.R.* principles of;

*Rights - Obligations - Alternatives - Rewards*

## **Perspective**

The ANOU has lodged submissions with numerous government inquiries, taskforces, committees, consultations and committee hearings. Many of the views and alternatives expressed by the ANOU are shared by peak NGOs and large social welfare organisations. Whilst these common concerns and alternatives are sometimes reported by inquiries, rarely are they reflected in policy outcomes.

The government's instant dismissal of the Poverty Report in March 2004 shows contempt for the 2 year process and the 260 organisations which contributed through written submissions and evidence at public hearings.

Two inquiries are still in process;  
"Building a simpler system for jobless families and individuals", DFACS.  
"Increasing participation in paid work", DEWR.

Until the findings and reports from these relevant inquiries are published, the "Australia's Demographic Challenges" discussion paper is premature. The 14 May 2004 closing date for submissions denies the community and the government the opportunity to examine all relevant information and to prepare properly considered responses.

A strategy to secure a sustainable socio-economic future for all Australians requires more than rushed responses to a paper steeped in seductive rhetoric and semantics promoting the government's proposed 'solutions', to what it defines as the 'problems'.

## **Recommendation:**

The cut off point for submissions to "Australia's Demographic Challenges" be rescheduled to a date three months after the release of reports by the above two inquiries. The ANOU forwarded this request to Treasury, 29 Mar.2004. No reply has been received at time of drafting this submission.

### About this submission.

The limited resources of the ANOU do not allow for extensive research to discover new information or verify claims and statistical data provided by governments and other organisations.

The views and proposals presented by the ANOU, and it's affiliates, are formed by comparing the stated aims of government policies with their real impact on un(der)employed people.

The ANOU and it's national network are operated entirely by long term un(der)employed people, mostly mature age, with first hand experience of the 'system' and how it actually treats jobless Australians. We are in daily contact with job seekers, social justice and welfare organisations. This hands on perspective is not shared by politicians, bureaucrats, broad issue organisations, academics, media commentators, or paid employees.

The ANOU assumes that govt. is actually committed to the aims of it's policies. Therefore, govt. should be willing to acknowledge problems drawn to it's attention, and make changes needed to restore integrity to it's policies and deliver promised benefits to the intended recipients.

Much of this submission repeats previous attempts to alert the govt. to the huge variance between the stated aims of it's policies and the actual outcomes for individuals subjected to the 'system'.

A series of recommendations is supported by general comments. No attempt has been made to provide the level of detail and references presented by ANOU submissions of the past four years.

Quotes from the discussion paper are in *bold italics*, and are referenced by page number.

**Preface; remember in 1999 when, .....**

Governments, employers across all industries, and NGOs willingly spent billions of dollars to safeguard their operating systems from the Y2K Millennium Bug. Governments, business and the community;

**Considered** the risks, and took the threat seriously.

**Investigated** the options and alternative responses

**Planned** and budgeted for protection strategies.

**Employed** people suitably qualified to provide solutions.

A large scale, and expensive response to untested theories and doomsday scenarios. Thankfully, world communications were not thrown into chaos, and life as we know it did not grind to a halt, but the potential consequences from inaction were too great to ignore.

So why is it that govts., and business have failed to act on research and surveys of the past thirty years which warn of the social, economic, and political implications from significant shifts in global demographics?

The data confirms that Australia has a;

- ❖ Rapidly ageing population and a declining birth-rate.
- ❖ Modest immigration programs and rigid policies.
- ❖ Dramatically changing labour market.
- ❖ Lack of real paid jobs, particularly full time work.
- ❖ Shortage of skilled workers in particular industries,
- ❖ Over supply of low skilled and unskilled workers.
- ❖ A Dead Sea of mature age job seekers.
- ❖ No national strategy to address the immediate and future workplace needs of employers and employees.

Whatever interpretation is put on statistics, the facts support the likelihood of various scenarios. Differences of opinion are mostly related to the magnitude of potential consequences and cost of counter measures.

Conclusions drawn from research data, and govt's strategic and policy responses, are matters for ongoing debate beyond this government initiated discussion paper. Based on current indicators, the ANOU recognises that the long term effects of an ageing population are likely to include;

- ❖ Fewer people of working age, shortage of younger workers and a large pool of unemployed mature age workers.
- ❖ Reduced capacity for governments to raise revenue from income tax, and other forms of taxation.
- ❖ Changes in patterns of consumer spending on goods and services.
- ❖ Greater demands on public transport and general infrastructure.
- ❖ Rise in the costs of providing pensions/allowances, concessions, health and aged care.
- ❖ Demand for welfare services could exceed the funding govts. are willing, or able to provide, and already over-stretched community organisations will be unable to provide even crisis relief to growing numbers of Australians.
- ❖ Increase in the lobbying power of mature age Australians.

These predictable outcomes need to be addressed by current policies and factored in to a long term national social and economic plan.

The ANOU is focused on areas which impact most on the unemployed, ie; sufficient paid work, and adequate social security payments and services in times of unemployment.

## “Introduction”.

(P1). *“The Government’s preferred solution to this challenge is to implement policies designed to grow the economy more quickly”.*  
*“The best way to achieve higher economic growth is via increases in labour force participation and productivity”*

### Comment:

A chicken and egg argument. Economic growth is claimed to be the key to generating employment, increased labour force numbers and productivity are the best way to grow the economy, apparently.

Years of strong economic growth have failed to create sufficient numbers of real paid jobs. The govt. shows no commitment to job creation programs, it regards unemployment as a budgetary tool to maintain low interest rates, control inflation, and suppress workers’ wages and conditions. The already wealthy are the beneficiaries of policies which exploit and penalise the most disadvantaged members of the community, who include the unemployed.

How does the govt. plan to increase workforce participation when there are at least ten unemployed people for every job available at any particular time?

**If you think the economy is working ... ask someone who isn’t.**

(P3). *“The most important thing is that we start to prepare for theses changes now. In some cases this will not be easy. We must remember that many of the benefits enjoyed by Australians today are the outcomes of the sacrifices and investments of earlier generations. So too the prosperity of future generations depends on the decisions we make today”.*

### Comment:

Considerable sacrifices have, and are being made by current generations. Australians who have contributed to the economy and the community for up to 50 years, through their enterprise and payment of taxes now expect to retire with their entitlement to a liveable Age Pension, adequate services and access to superannuation under conditions promised by fund managers.

Any attempts to reduce social security payments, tighten eligibility criteria, or impose new conditions on access to retirement income, will be met with hostility by older Australians at the ballot box.



**“Improving the capacity for work”.**

**(P3). “A key aspect of improving participation will be to ensure that all those who wish to participate have the capacity to do so”**

**Comment:**

If the govt is genuinely committed to this objective it should return to a policy of Full Employment, ie; a situation where all those who want to work, can secure a paid job, with adequate hours and at least award wages and conditions, within a reasonable period of time. Unemployment should not generally exceed a period of three months.

The discussion paper talks about education and training to prepare young people to meet the needs of the workplace. A common sense long term strategy, but it does nothing to create jobs for graduate trainees or for the long term unemployed who need job right now.

When jobs are in short supply, *pre*-employment training simply increases competition for existing vacancies, or when the training is completed, the job opportunities are no longer available. The jobless queues are full of skilled workers and qualified professionals who are not even considered for interviews let alone a job offer.

In the current climate, providing training as a *re*-employment measure is a more productive option. The Service Profile interviews conducted by the Job Network should be used as a skills audit base to identify individuals for placement and/or on the job training in industries where jobs exist.

- 59 per cent of all job seekers have been unemployed for 12 months or more, and
- 54 percent of long term job seekers are age 40 to 64.  
(source; “Labour Market & Related Payments” - DFACS, Jan 2004).

Many mature age workers have been unemployment for five years and more, ten year episodes are not uncommon.

Official ABS statistics grossly understate the jobless rate, and hide the truth about long term unemployment. The Australian Council of Social Services estimates that when under-employment is factored in, (up to 15 hours work per week), the real unemployment rate is at least double the ‘official’ figures. (“Hidden Unemployment” - ACOSS, Paper 131 - Nov 2004).

**“Capacity for work” ....**

The Australian JobSearch website - 2 April 2004 recorded;

**“Jobs available 65,545”**

**“Over 600,000 active resumes available”**

**“Over 9 million page accesses every week”**

Therefore .....

- 9 registered job seekers compete for every job listed on the Job Network website. There are only enough jobs for 11% of registered job seekers.
- There are no jobs for 535,000, (89%), of registered job seekers.
- The Job Network’s potential to place people in real paid jobs is limited to the number of jobs listed, usually in the 60,000 to 70,000 range. The real number of vacancies is considerably less than claimed. The same vacancy can appear in up to half a dozen categories or could be listed by multiple Job Network members.
- Job seekers soon discover these things for themselves. Some have the resources to broaden their job search options, most are limited to the Job Network and newspapers for to access employment opportunities.
- 9 million page accesses averages out to 3 pages per job seeker, enough to provide daily access to the job vacancies data base for all job seekers. This reinforces the fact that job seekers are making every effort to secure paid employment. It’s not a question of capacity **for** work, the lack of jobs denies the unemployed the capacity **to** work.
- The unemployed simply can’t compete fairly in a market where 7 out of 10 vacancies are filled by existing workers, and only 1 job in 10 goes to a long term unemployed person.. The solutions include....

**Policy of Full Employment.**

**National skills audit.**

**Job creation schemes.**

**A community jobs guarantee.**

**Mature age employment strategy.**

**Restructure of employment services.**

**Targeted labour market programs.**

**“Better Incentives”.**

***(P7). “Paid work provides us with many benefits. It provides us with the opportunity to satisfy our basic needs. It gives us the opportunity to develop personally, live independently, and interact socially”***

**Comment:**

Which ‘us’ does this statement refer to? Taxpayer funded salaries and entitlements enjoyed by politicians and govt. bureaucrats provide for a comfortable lifestyle and very generous retirement income. These are opportunities denied to increasing numbers of Australians who struggle to meet basic living costs for themselves and their families.

Many Australians work excessive hours, whilst others have insufficient hours, and some have no paid work at all. Unpaid overtime is estimated as equivalent to 500,000 full time jobs, enough to reduce unemployed to below 1 per cent.

Around 600,000 “officially” unemployed, a further 600,000 reliant on irregular casual work up to 15 hours a week. A full time job no longer guarantees self reliance. Increasing numbers of full time workers in low paid jobs find it difficult to meet basic living costs. Households with two low income earners are not faring much better when the loss of other benefits is factored in.

***(P7). “Ensuring that the income support system provides an adequate safety net for those in need without providing disincentives to work requires careful balance”.***

**Comment.**

Newstart Allowance is at least \$100 per week below the Henderson Poverty Line and only provides for around half of basic living costs. The so called ‘safety net’ is full of people sized holes and penalises individuals who take up paid work by clawing back up to 87 per cent of their casual earnings.

***(P8). “The income support system needs to encourage paid work, and promote and support people to participate in paid work”.***

Casual work provides little or no financial gain for the unemployed. After paying 17% income tax, Centrelink’s Taper Rate ‘claws back’ up to 70% of gross earning. The income assessment formula seriously discriminates against recipients of Newstart and Youth Allowance.

<u>Payment type</u>	<u>Penalty free area</u>	<u>Taper rate</u>
• Age Pension	\$116 per f’night	40% of each \$1 above \$116.
• Newstart	\$ 62 per f’night	50% of \$63 to \$142
• Youth Allow,		70% of each \$1 above \$142
• Austudy & ABSTUDY	\$236 per f’night	50% for each \$1 above \$236

The Working Credit scheme allows recipients of Newstart or Youth Allow. and ten other types of Centrelink payments, to earn up to \$1,000 per year, without a reduction in their payments.

The Income Bank scheme allows full time students to earn up to \$6,000, before their income support payments are reduced.

Age Pensioners cannot access the Working Credit or Income Bank.

Govt. claims to offer incentives to take on casual work. Up to 87% of gross earnings lost to income tax and ‘claw back’, transport and meal costs, results in around \$2 per hour worked. Third World wages, First World living costs. When casual earnings and social security payments are combined, job seekers can be liable for retrospective income tax on Centrelink payments received during the year. Incentives to work?

Asylum seekers on Temporary Protection Visas lose \$1 of their Special Benefit payment for every \$1 of gross income, this is in addition to 17% income tax. So, for every dollar earned, TPVs lose \$1.17.

There are no legitimate reasons for the wide variance in the treatment of income. The criteria discriminate against unemployed people, who are taxed at almost double the rate for billionaires.

Earnings must be reported during the fortnight that work is performed, not when wages have been received from an employer. Job seekers can be forced to survive on a reduced Newstart payment, until they receive wages for previous casual work. Consequences include being unable to afford the transport costs to travel to ongoing casual. If an employer does not pay wages owed, not unusual in particular industries, job seekers are unable to recover money deducted from Newstart or Youth Allowance as a result of reported earnings. Employers know that Centrelink will do nothing to assist job seekers to recover unpaid wages from employers.

Current *'incentives'* certainly do need to be *bettered*.

Standardise the assessment of income criteria by applying the Age Pension formula and conditions to all social security payments.

**"Supporting more flexible work options"**

***(P13). "With much reduced growth in the working age population in the future, it will be essential that we generate jobs for those who want them - including those who are currently unable to find a job at all, or who are looking to increase the hours that they work".***

**Comment:**

The govt. seems to have things back to front, putting the future before the present. The longer term problem may be insufficient workers to fill the available jobs. The lack of paid jobs is the past and immediate crisis for 1.2 million unemployed or under-employed Australians.

The govt. has pursued a 'fight inflation first' economic agenda, hoping it's policies will translate into lots of new jobs. Even rubbery 'official' figures show that economic growth has not generated corresponding numbers of new jobs, not in Australia, or anywhere else. Economists have introduced the term 'jobless growth' to describe the phenomenon.

The unemployed are always the last to benefit during the boom times and the first to suffer the effects of economic downturns.

***(P13). “More flexibility will be required, as will conditions conducive to job creation, such as reducing the amount of regulation imposed on those seeking to negotiate mutually beneficial wages and conditions”.***

Comment:

“Flexibility” in the labour market tends to translate into benefits to govts. and employers, reduced pay and conditions for workers, a further erosion of full time jobs, and reduced job security.

Part time or casual work is not a matter of choice for many Australians, under-employment is the default option imposed by the lack of full time jobs. The Taper Rate ensures that anything less than a full time job provides little or no financial gain for unemployed people.

The power imbalance is already tipped too far in favour of business and employers. Individual agreements or collective bargains usually require workers to surrender hard won conditions, and/or increase productivity, in return for a wage rise little more than inflation. What ‘negotiating’ options do individuals have when employers know that there are 1.2 million Australians unemployed or under-employed and seeking more hours?

Deregulation is a major factor in the huge shift to part time or casual jobs by employers seeking to avoid the costs of entitlements for full time employees. Industry deregulation and the privatisation of government services have usually resulted job losses, price rises for consumers, and poor management practices, including corruption.

The govt. insists that exempting small business from unfair dismissal legislation and liabilities will increase employment. How can making it easier for employers to unfairly sack workers create more jobs or improve job security? The answer is, it can’t and it would only be a matter of time before powerful lobby groups would be pursuing the same exemptions for big business.

Businesses is motivated to increase profits and shareholder dividends. A strong economy and record company profits have not translated into “*mutually beneficial wages and conditions*” for employees.

Low wages and ‘workfare’ schemes in the U.S. did not avoid a recession, and failed to create significant new employment during a jobless recovery.

## *So what are the choices?*

The discussion paper asks this question whilst page 1 announces the govt's "*preferred solution*". The statistics and assumptions featured throughout the document have been selected to support or dismiss the four 'choices' offered by the paper.

One could easily form the impression that the govt. has pre-determined it's course of action and is unwilling to properly consider alternatives presented in submissions from non-govt. sources.

### *(P25). Choice 1;*

*"We could elect to do nothing now, and raise taxes in the future to cover budget deficits as they occur".*

#### Comment.

Doing nothing now would result in a tax-expenditure gap equal to 5 per cent of GDP. The shortfall would require a 40 per cent rise in personal income tax rates. This is the view of the same govt. that squandered billions on tax cuts which benefited average workers by a mere \$4.00 per week.

The govt. is promising a further round of tax cuts to boost it's re-election prospects. Based on the govt's own revenue/expenditure projections, there is no justification for more tax cuts, to do so is irresponsible.

The current system foregoes billions in lost tax revenue through loopholes and rorts exploited by business and wealthy individuals. Examples include;

	<u>Per year.</u>
• Private companies diverting income,	\$1.3 billion
• Executive perks, shares, termination payouts,	\$0.3
• Company cars,	\$1.0
• Income splitting,	\$0.8
• Family trusts,	\$0.4
• Negative gearing,	\$2.0
• Salary sacrifice for superannuation,	<u>\$2.5</u>
<b>Total;</b>	<b>\$8.3 billion.</b>

(source; Australian Council of Social Services, Info paper 354, April 2004).

**(P26). Choice 2;**

***“An alternative approach would be to cut future govt. expenditure by around 5 per cent of GDP”.***

**Comment;**

Billions have already been cut from training, employment programs and social welfare services to those who need them most.

The govt. fails to consider that current spending could be reviewed and redirected to employment projects and social welfare needs. A change of current priorities would provide significant funds to create jobs, improve services and reduce poverty, now and into the future. Eg;

<u>Expenditure item.</u>	<u>Cost</u>
Private health insurance rebate,	\$2.30 billion p.a.
Illegal invasion of Iraq,	\$0.75 billion
Detention of asylum seekers,	\$1.00 billion p.a.
Cuts to labour market/training programs,	\$2.00 billion p.a.
Drought relief farmers/small business	\$1.50 billion
Losses on currency swaps,	\$5.20 billion
Purchase of 2nd hand US tanks,	<u>\$0.55 billion</u>
	<b>Total; \$13.30 billion</b>

The Industry Commission estimates federal and state govts. provide **\$16 billion** a year to the private sector in subsidies, incentives, market protection, other assistance, and revenue foregone. In some cases, the corporate welfare payments amount to \$40,000 per new job created.

(The Australia Institute, Discussion Paper No; 34, October 2000).

Other examples of non-productive govt. spending and waste include;

- Politicians’ travel allowances, junkets, perks and superannuation.
- Gratuitous bonus payments to bureaucrats and public servants.
- Bail outs of (selected) corporate collapses, including the rorters.
- Misconduct inquiries, legal defence of allegedly corrupt officials
- Aid which lines the pockets of foreign govt leaders and their cronies.
- First home buyer grants to the wealthy.
- Political advertising claimed to be community information.
- Funding to private schools and universities.



**(P27). Choice 3;**

***“We could run deficits and hence increase debt”.***

**Comment;**

A self evident statement that the govt qualifies with just three sentences. No mention is made of estimated debt levels, the ability to service debt repayments, or any other fiscal or political options available to govts. in a capitalist democracy.

Isn't 'using other people's money' one of the key capitalist principles? The current govt's repayment of national debt has done little to increase employment or to deliver benefits to the most disadvantaged Australians who are waiting for the opportunities that never come.

The govt. insists on maintaining a budget surplus, yet it ignores the huge rise in consumer household debt which has quadrupled since 1996 when the Coalition came to office.

**Choice 4;**

***(P27); “The best approach is to look for ways to increase the size of the economy so that we all have higher incomes and are better able to meet the costs associated with our ageing population”***

***“The way to increase the size of the economy is to grow at a faster rate. The key ways to improve economic growth are through increases in labour force participation and productivity”.***

**Comment;**

This “*best approach*” repeats the “*preferred solution*” circular argument presented on page 1 of the discussion paper's *Introduction*. We are entitled to ask whether the govt is serious about considering other alternatives put forward by the community, or whether we are participating in a process with a pre-determined outcome.

Economic growth has clearly not delivered higher incomes for *all*, on the contrary, the benefits of prosperity have flowed to the already wealthy at the expense of those at the bottom of the income and opportunities scale. The gap between rich and poor continues to widen at an alarming rate.

### **Choice 4 cont ...**

Much is made of forecast costs related to an ageing population but little attention is given to the potential increases to govt. revenue. Retirees are regarded as liabilities, a drain on the 'system' as opposed to assets to the economy and to the community.

The ANOU does not accept that health and age care costs are, or will be 'unaffordable'. Reluctance to properly fund these services has been the subject of buck passing between federal and state govts. for many years.

Large scale retirement, and the release of superannuation funds will force significant changes in consumer spending patterns. Demand for goods and services may well shift towards spending in areas which deliver increased revenue from taxes and charges, examples include;

- Re-locations would generate revenue from stamp duty and the various fees and charges associated with the sale and purchase of homes.
- Modification, renovation and refurnishing of homes will generate GST revenue and create jobs across a range of industries and trades.
- Lump sum superannuation payouts are likely to encourage spending on big ticket items including motor vehicles, caravans, whitegoods, travel.
- Purchase of hobby equipment and the take up of new activities.

This new spending would contribute to the govt's stated aims of growing the economy and creating jobs. Changes in consumption and increased demands for particular goods and services need to be factored in to job creation and training priorities.

### **General comments;**

Genuine job creation requires a major paradigm shift by the govt. The Vagaries of 'the market' have failed to generate adequate employment. Real progress requires a pro-active approach, with clearly defined roles and responsibilities for govts., business and the community.

More of the same policies and programs and will not provide solutions. The govt. will need to acknowledge the flaws in it's systems and consider more productive alternatives proposed by other non govt. sources.

Govt. reports, and independent research confirm the poor performance of employment services and counter-productive nature current programs. Low job outcomes are compounded by schemes that actually destroy real jobs or leave individuals in a worse situation than if they had not received so called 'assistance'. The job destruction schemes include;

**(a). Work for the Dole, (WftD).**

A great deal of worthwhile new work has been identified by community organisations, but these initiatives have been undermined by designating the projects as unpaid WftD schemes.

Communities benefit from unpaid WftD labour, the real winners are Job Network members and Community Work Coordinators who receive fees to conscript and 'monitor' job seekers on the compulsory WftD scheme.

State govts., all of them ALP, are major exploiters of WftD in their own departments, including; aged care, child care, hospitals, schools, the arts, environment, emergency services and public facilities.

WftD replaces work which was or could be done by paid employees, local trades people and small businesses. Examples include;

Construction, landscaping, concreting, fencing, painting, website design, music and the arts, events planning. This is work that could provide full time paid jobs, or casual work for un (der)employed Australians.

The ANOU is aware of specific instances where WftD has replaced paid workers, examples include;

- A major NGO sacked a group of paid staff, left their positions vacant for a short period, then recruited a larger number of WftD conscripts to perform the duties of the retrenched employees.
- Govt. funding cuts forced a large national NGO to retrench a number of paid staff who were replaced by WftD conscripts a short time later.
- Community Work Coordinators have approached NGOs to convert the duties of unemployed volunteers to WftD schemes. The writer has witnessed the cynical activity on two occasions. CWCs actively target not for profit organisations seeking to place WftD conscripts to work alongside paid staff and genuine volunteers.

- Job seekers who developed self employment or consultancy projects have found their initiatives under-mined by WftD schemes offering unpaid labour to perform the same work.

Introduced in 1997, the govt. has expanded and exploited WftD not as an employment or training scheme, but to compensate for funding cuts. . The magnitude of the negative impact of WftD is confirmed by Minister for Employment Services, Mal Brough;

*“Since the program started, participants have completed the equivalent of more than 38,000 years of work, which is a remarkable achievement”*  
(*Work for the Dole newsletter - Issue 7 - Summer 2003 -04*)

In other words, WftD has denied 38,000 job seekers the opportunity of full time paid employment or, has destroyed 76,000 part time jobs. Casual work and self employment has been replaced by compulsory unpaid labour.

WftD is a cynical govt. propaganda vehicle, designed to convince taxpayers, (who include the unemployed), that \$150 million a year is well spent on the exploitation of the unemployed as unpaid labour.

### **(b). Community Work placements.**

A WftD clone where participants are required to source unpaid work in the not for profit sector. Community Work Coordinators are paid a fee for conducting gratuitous surveillance of job seekers who have to pay the costs of transport to attend unpaid work. Much of this Community Work was previously performed by paid employees or genuine volunteers, or it could become a real paid job.

### **(c). Voluntary work.**

Govt. intervention has forced unwelcome changes on the voluntary sector. Many organisations are unsure of, or are not comfortable with, conditions imposed on unemployed people who genuinely chose voluntary work.. In the general community, WftD has become a generic term for any activities performed by unemployed people.

The traditional concept of voluntary work has been bastardised by the odious links with ‘mutual’ obligation and Community Work placements. Some in the are unsure of the difference between these schemes and Community Service Orders imposed on convicted offenders.

The major charities which dominate the Job Network channel significant numbers of job seekers into unpaid work and 'volunteering' in the welfare sections of their own organisations. The Job Network receives a significant portion of its taxpayer funded payments for placing job seekers in unpaid work, including 'voluntary' work. Why would not for profit organisations employ more paid staff when the govt. provides a pool of unpaid labour?

### **Training.**

Access to training no longer considers the needs of the individual, or the potential to increase their paid employment prospects. WftD does not provide training, it and similar schemes are classified as 'work experience' with no requirement to provide legitimate training.

To become eligible for recognised training courses, job seekers are now required to complete up to six months on one of the govt's unpaid work schemes just to be considered for one of the limited number of Training Credits valued up to \$800.

What is the logic of a system imposes six months of unpaid work, with no proper training as the criteria for accessing recognised training to assist people to secure paid employment? The total number of Training Credits available will only accommodate around 30 per cent of participants in the various unpaid work schemes. Therefore, 7 out of ten participants are unable to access proper training after working six months for nothing.

Training Credits are not available to unemployed volunteers, no matter how much unpaid work they contribute. The govt's approach to training is misguided and seriously discriminates against genuine volunteers.

### **Mature age workers.**

Numerous govt. inquiries, private surveys and research confirm that age discrimination by employers is rife, and deeply entrenched. The govt's Mature Age Workers month initiative is a welcome initiative if it is the start of a national strategy to change current negative attitudes towards age in the workplace.

There are no quick fixes to the problem. Educating employers, job seekers and the community, to the benefits from employing older workers is a long term process, similar to other campaigns promoting safe driving practices, sun protection, safe sex, the dangers from smoking, clean up Australia etc.

State govts. and community organisations have achieved success with a range of mature age job placement programs. The Q'land Govt's "45+ Experience Pays" and "Community Jobs Plan" are initiatives with around 60 per cent paid jobs outcomes.

A Brisbane Job Network member achieved an average of 1.5 mature age placement per week during 2003. If this modest sounding target was achieved by all JN members, the pool of unemployed older workers would be emptied by Christmas 2005.

The ANOU has written and spoken a great deal on this issue. Our analysis and proposed solutions have been endorsed by federal and state ministers, yet the ANOU remains excluded from the strategy development process.

The govt. should match it's rhetoric by employing suitably qualified older workers to contribute to solutions rather than regarding them as 'a problem'

### **Job creation.**

A policy of Full Employment empowers the govts. to generate jobs and to act as an employer of last resort, either directly or by funding jobs in the community sector. The current govt. has abandoned this option in favour of unpaid work schemes and punitive policies.

If the govt. is committed to increasing employment, it has the means to do so by redirecting existing revenue to fund job create programs. Consider how the revenue identified earlier in this submission could increase the size of the paid workforce.

<u>Revenue item.</u>	<u>Billions</u>	<u>No.of \$35Kpa jobs.</u>	<u>Jobless rate * would be;</u>
Close off of tax loopholes,	\$ 8.30	228,580	3.3%
Big ticket govt. spending, (detailed on page 14)	\$13.30	371,437	- 0.4%
Work for the Dole,	\$ 0.15	4,285	
Corporate welfare,	<u>\$16.00</u>	<u>457,142</u>	<u>-5.0%</u>
	<b>\$37.75</b>	<b>1,061,444 jobs</b>	

(\* Based on jobless rate of 5.6% in March 2004).

**Job creation... cont;**

Almost half the costs of creating over a million jobs would be returned to the govt. through;

Income tax,	\$ 8.0 billion
Savings from Newstart/ Youth Allowance,	\$ 8.0 billion.
Partner Allowance	\$ 1.2 billion
Rent assistance	\$ ?
	<b>\$17.2 billion</b>

GST from increased consumer spending would deliver large windfalls to state govt. coffers.

Federal and state govts. would achieve large savings from the reduced demands on health care, employment services and programs, police, courts, prisons, social security systems and other areas of expenditure.

The govt. has the means and the funds to create enough jobs to eradicate unemployment and provide full time hours for under-employed workers. The govt. has full control over the unemployment rate, which could be reduced at any time by re-directing current spending to a job creation initiative, for example; Closing off tax loopholes and rorts would fund enough jobs to reduce the official jobless rate to 3.3%, an impressive 40% reduction in the number of people unemployed.

On a smaller scale, the \$150 million a year spent on conscripting people to unpaid work schemes like Work for the Dole, would fund 4,300 real full time jobs

So the govt. makes a choice. It sets unemployment at the level that best suits it's ideologically driven economic agenda, at any particular time, referred to as 'structural' unemployment. The govt. repeats it's pledges to create jobs throughout the discussion paper, but there is no mention of a plan or strategy to deliver on the promise.

The same systems and processes that generate unpaid work, could create real paid jobs. The missing ingredient for individuals conscripted to govt schemes is payment for their labour.

**Work for the Wage... not the Dole.**

## **Employment services.**

The Job Network has lurched from one crisis to another. The govt. has injected a large amount of additional funds to prop up it's dysfunctional system of private contractors, which would have collapsed under normal commercial conditions.

Just as over a million unemployed Australians can never be employed by around 65,000 jobs available at any particular time, the Job Network can't remain viable on fees for real job placements. Around 85 per cent of the Job Network's income is derived from activities other than placing people in paid employment.

The fees for services format needs to be restructured by focusing attention and rewards on real job placements, and enrolments in recognised training courses targeted to job outcomes.

Senate Estimates hearings in February 2004 revealed that the Job Seeker Account is grossly underspent. Of the \$180 million allocation, only \$31 million has been used to provide tailored services and support to assist individuals to secure paid jobs. The \$150 million underspend would fund 4,285 x \$35 jobs, or could be divided into \$10,000 wage subsidies to place 15,000 unemployed people in real jobs.

The current system is based on fundamental conflicts of interest. The Job Network depends on a supply of unemployed people to provide it's customer base and profits. The govt. pays it's private agents to conscript unemployed people to unpaid work schemes which compensate for govt funding cuts to it's own departments and to community organisations. An incestuous circle of self interests where job seekers are vulnerable cash cows for milking.

## **Workforce age.**

Increasing the official retirement age would do nothing to create new jobs, overcome age discrimination in the workplace, or reduce unemployment. It will be a long time before employers willingly hire or retain significant numbers of workers age over 65, and even longer until there's no option

Meanwhile, 150,000 workers age 40 to 65 are registered with Centrelink as unemployed, where many will remain until they retire. A similar number are grossly under employed. These people need jobs now, they can't wait until they retire when they might be offered a bit of part time work.



Australians expect to access their entitlement to a Pension at age 65 for men and 62.5 for women. The ANOU is opposed to any rise in current retirement ages, or any tightening of means tests or the eligibility criteria applied to the Age Pension, or associated concessions.

The ANOU supports the principle of providing financial incentives for older Australians who chose to maintain some level of participation in the paid workforce, provided that the measures are in addition to a full Age Pension and concessions under the current eligibility criteria.

Reaching retirement age forces a number of basic decisions, particularly attachment to the workforce. The decision is influenced by personal and economic circumstances and subjective judgements on a range of quality of life issues. The financial implications of continuing to work need to be fully and clearly documented, information should include;

- Provisions and eligibility criteria to access the Age Pension and the associated range of concessions.
- Treatment of the Age Pension, investment dividends and/or earned income for taxation purposes.
- Any interaction between the Age Pension and other income.
- Details of any additional incentives or benefits.

Financial incentives need to be simple, easily understood, and delivered in a direct form, as an adjunct to Pension payments and/or as a reduction of tax on income from employment. Incentive options;

- Raise the tax free threshold to \$12,000 to exempt the Age Pension from the income tax system..
- Apply the current PAYG tax rates to earned income.
- A Taper Rate which applies to income above a specified level such as the minimum weekly wage. Any clawback formula needs to consider that the 30% marginal tax rate kicks in at \$21,601.
- The costs of travelling to unpaid voluntary work to be an allowable tax deduction against income. This would encourage volunteering.

## **In conclusion.**

The discussion paper makes assumptions based on selected statistics and presents subjective projections on employment, revenue and expenditure during the next forty years. The govt's haste to convince the community of its '*preferred solution*' ignores the fact that the impact of current policies is consigning growing numbers of Australians to the social and economic margins.

The govt. has the funds and the means to implement policies, systems and incentives to create real jobs for all those who want to work, right now. The allocation of revenue is controlled by the govt, it decides where and when taxpayers' funds are spent. If the govt. is committed to boosting employment, it will fund job creation schemes and incentives by re-directing current funding from some of the sources identified earlier in this submission.

We don't need a new labour market segment, and/or another Income Support category. The objective should be to design a system where income from employment, or the social security system, or a mix of the two, provides for at least basic living costs and dignified conditions. This is not the case for the 1.2 million who are currently unemployed, or under-employed and wanting more hours.

Workers age 40 and over, account for 54% of the long term unemployed. Five year episodes of joblessness are common, ten years and more is not unusual. The discussion paper admits that;

***(P8). "Nearly 30 per cent of 50 to 64 year olds receive income support. Very few who claim income support after the age of 50 will ever go off benefits".***

Without serious intervention measures, 70,000 job seekers age 50 to 64 are likely to remain unemployed until they reach retirement age, then the govt. will offer them incentives to remain in, or rejoin the workforce. A further 80,000 in the 40 to 49 bracket will progressively move into the "little hope of a job" category. (info; DFACS, Labour Market and Related Payments, Jan 2004).

Solutions require bi-partisan commitment to a policy of Full Employment, a national jobs creation program, and a whole of community strategy to reduce poverty.

## Summary of recommendations.

A long term sustainable work and welfare system needs to be underpinned by a human rights and equal opportunities agenda. The starting point is to acknowledge the short comings of current practices and then consider the alternatives presented by non-govt. organisations, and individuals with direct exposure to the 'system'. Many of the following recommendations canvass much needed alternatives to current policies and practices.

### **R1. The labour market.**

- A return to an official policy of Full Employment.
- A national adequately funded job creation strategy.
- A specific plan to employ the large pool of mature age job seekers.
- A long term education campaign to change the culture of discrimination against older workers.
- A formal assessment process to recognise/accredit prior learning (RPL)
- Strengthen the Commonwealth Age Discrimination Act, with particular attention to employment and workplace practices, and conditions imposed on, or assistance denied, unemployed workers based on their age.
- Legislation to curb exploitation of unpaid overtime by employers.

### **R2. The Taxation system.**

- Raise the tax free threshold to \$12,000 for all Australians. This will ensure that social security payments are exempted from income tax and are not considered as part of the tax free threshold.
- The normal PAYG tax rates, penalty free threshold, and deductions should apply to earnings by workers age 65 and over.
- Age Pensioners should be able to increase their income to at least the minimum wage before there is any reduction to their Pension payments. Any Taper Rate should not exceed 30 per cent, which still imposes a marginal tax rate equal to that for billionaires.
- Tax deductible transport costs for social security recipients engaged in voluntary work or any form of govt unpaid work or training schemes.
- Close off the loopholes exploited by business and the wealthy. Removing the following rorts would deliver \$8.3 billion in *extra* revenue.

Private companies diverting income.

Executive perks, salary sacrifice for shares, or superannuation, termination payouts.

Company cars.                      Income splitting.

Family trusts                      Negative gearing.

**R3. Income Support.**

- Guarantee the Age Pension under current provisions/eligibility criteria.
- Raise Newstart and Partner Allowance to the same level as the Age Pension. Pro-rate increases to Partner and Youth Allowance.
- \$20.80 p/f tax free travel allowance paid directly to all participants in 'mutual' obligation, unpaid work schemes, training, or voluntary work.
- Abolish the two year waiting period for migrants.

**R4. 'Mutual' obligation.**

- Abolish unpaid work as a condition of receiving particular types of social security payments. A discriminatory policy which breaches international treaties prohibiting all forms of forced/compulsory labour.
- A clear and enforceable list of obligations and penalties for govts., business and the community, or the flawed policy must be abolished.
- Remove obligations and activities which have no genuine potential to assist individuals to secure paid employment or recognised skills.
- Access to the Age Pension should never be made conditional on any level of participation in the paid workforce, unpaid work or voluntary work. Any form of 'Work for the Pension' scheme must be ruled out.

**R5. Assessment of casual income.**

- Standardise the treatment of income by applying the Age Pension free area of \$116 per fortnight and flat 40 per cent Taper Rate, to all social security payments.
- Assess income on the after tax net amount. Applying the Taper Rate to gross income taxes a portion of earnings twice.
- Increase the Working Credit maximum accrual to \$6,000 per year, in line with same as Income Bank system available to full time students.
- Allow income to be reported after wages are received from an employer, not at the time the work is performed.

**R6. Concessions.**

- Abolish the arbitrary distinctions between Pensions, Benefits Allowances.
- Standardise state funded concessions to Health Care Card holders. The priority is transport, telephone, power bills. The unemployed are forced to spend a significant percentage of income on transport costs, and the system requires regular access to IT sources including, Internet/email, mobile phone an SMS, access costs money.

**R7. Unpaid work schemes.**

- ‘Mutual’ obligation rules breach international treaties and conventions which prohibit all forms of forced or compulsory labour. The unpaid work schemes must be abolished, starting with govt. departments and Job Network agencies.
- Replace Work for the Dole with a program that is voluntary, provides recognised training, an award wage and conditions, and is targeted to paid job outcomes. The Q’land Govt’s “Community Jobs Plan” is a recommended option with a 60 per cent jobs outcome.

**R8. Training.**

- Courses to be targeted to industries where jobs exist or are likely to become available in the future.
- Training as a *re*-employment measure not a *pre*-employment requisite. Job placements with a training component, not courses that simply create more applicants for a limited, or non-existent supply of jobs.
- Guaranteed access to Training Credits and Passport to Employment to all those who complete the required hours of ‘approved activities’.
- Training Credits and Passport to Employment to be made available to job seekers who perform the required no. of volunteer work hours. The current system discriminates against genuine volunteers by denying them access to Training credits.

**R9. Employment services.**

- A fees structure which focuses attention and rewards on real job placements and not unpaid work schemes or ‘secondary outcomes.’
- Deny Job Network members access to job seekers as unpaid labour.
- Limit the number of individuals that Job Network members can assign to other divisions of their organisations under unpaid work schemes or as ‘volunteers’. Paying Job Networks to conscript job seekers as unpaid workers in their own offices is corrupt, a serious conflict of interests.
- Remove the Job Network’s responsibility to monitor and report alleged non-compliance with ‘mutual’ obligation and other rules. The 80 per cent error rate from Participation Reports, (breaches), is unacceptable, and is an abuse of administrative power.
- The ANOU has alerted DEWR to design faults in the JobMatch System which are creating problems for job seekers and Job Network members. It remains to be seen how DEWR will respond to this advice.

**R10. Workforce age.**

- The official retirement should be maintained at the current levels of 65 for males and 62.5 for females.
- There should be no paid or unpaid work criteria or any other conditions, applied to the receipt of the Age Pension.
- Any incentives to remain in the paid workforce should be over and above the *entitlement* to the Age Pension, and should be provided directly to workers as a supplementary payment with the Pension and /or, through the PAYG taxation system. Rebates, credits, estimates, or any other retrospective measure does not benefit individuals who are working through necessity, they need the money to live on, now.
- A national long term education campaign to change current negative attitudes and prejudices towards age in the workplace.

**R11. A Charter of Rights.**

- A plain language document detailing the rights, responsibilities and entitlements of all social security recipients. Provisions of the Charter must comply with international treaties and conventions, and domestic legislation.

**R12. Poverty reduction.**

- A national poverty reduction strategy, a govt. commitment to targets, funding, resources, goals and reporting time frames.

**R13. Consultation.**

- Advocates for the unemployed must be given the same level of access that govt. affords business and other community lobby groups.
- The unemployed must be directly represented at policy development or review forums. A seat at the table wherever decisions are made which impact the lives of un(der)employed people and their families. Broad issue organisations are not acceptable substitutes for the direct voice of 1.2 million Australians excluded or marginalised from the paid work force.
- Govt. funding for a dedicated peak body to represent the interests of the un(der)employed.

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**AUSTRALIAN NATIONAL ORGANISATION of the UNEMPLOYED**

*Unemployed People...*

*Speaking for Themselves...Fighting for Their Rights.*



