



SUBMISSION ON

**A NEW SYSTEM FOR BETTER EMPLOYMENT
AND SOCIAL OUTCOMES**

**The Interim Report of the
Reference Group on Welfare Reform.**

**Prepared by
COTA National Policy Office**

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INTRODUCTION

COTA Australia is the peak national policy body of older Australians. Its members are the eight State and Territory Councils on the Ageing (COTA) in NSW, Queensland, Tasmania, South Australia, Victoria, Western Australia, ACT and the Northern Territory.

COTA Australia has a focus on national policy issues from the perspective of older people as citizens and consumers and seeks to promote, improve and protect the circumstances and wellbeing of all older Australians; promote and protect their interests; and promote effective responses to their needs.

COTA Australia welcomed the announcement of the welfare review as we believe the income support system needs to be reformed. It needs to reflect structural changes in the economy and labour market, changes in community expectations of the role of Government, and of what sort of society in which we want to live.

We were pleased that the review was to concentrate on working age payments and that the age pension was explicitly excluded. We understood, at the time of announcement, that the age pension would likely be the subject of a later review which would address the broader retirement income issue. This staged approach to reform would have meant that the new working age payments could articulate into the age pension and issues of how people move from one to the other could be worked out.

COTA Australia is a member of ACOSS and has been involved in discussion with ACOSS and many of its members on a response to the interim report. We join with other organisations in decrying the limited period to respond to the interim report and are disappointed that the review Reference Group declined to meet with ACOSS and some of its members to discuss our concerns.

COTA supports the positions taken in the ACOSS submission. We strongly endorse the principle that Government has an obligation to provide income support for people with little or no private income.

Our submissions highlight some issues of particular concern with regard to older people living on allowances and older Disability Support Pension recipients.

ISSUES

Adequacy

It is disappointing that this review does not make specific recommendations about the adequacy of income support payments. It is difficult to see what the impact of any change in the structure of payments would be on various groups without knowing to what the payments are linked.

COTA has long advocated the need for a substantial increase in the level of Newstart and related payments as we believe the current levels ensure people live in poverty. The gap between pension and allowances has been allowed to grow far too wide and the standard argument that all people only live on allowances for short periods of time is not supported by the data. Certainly many older people spend quite considerable periods on Newstart as they face significant barriers to getting back into the workforce.

We would argue that the current parity between the Disability Support Pension (DSP) and the Age Pension in terms of rates should continue. This reflects the additional costs that people with a disability would incur and the reality that they are likely to spend prolonged periods on the DSP. The interim report suggest that DSP should be confined to people whose disability means they

have permanently left the workforce; this means the payment is equivalent to an age pension in intent and so needs to be the equivalent level of income

In our recent submission to the Senate Inquiry into some of the proposals from the 2014-15 Budget, we argue strongly for the current indexation arrangements for the pension to continue. One of the key issues for COTA is the link between the pension and community income levels. We think that working age payments also need to be linked in some way to wages as they replace a wage until a person is able to move back into employment. There is merit in having an independent process to say what the link should be and agreement to a one –off rebasing exercise with provision for adequate indexation to ensure the value is maintained.

Age Discrimination

There is much evidence that older people face age discrimination in the workplace. Age discrimination is an invisible barrier, hard to identify and hard to work around.

The Consultative Forum on Mature Age Employment and the Advisory Panel on the Economic Potential of Senior Australians both identified that age discrimination exists and that it is a major barrier to increasing the workforce participation of older people. In 2013 the Australian Law Reform Commission completed an inquiry into the legislative barriers to employment of older people which identified many of the barriers and made suggestions about how they could be addressed.

The Age Discrimination Commissioner, Susan Ryan, has been active on this front, working to identify the issues and at looking at ways to change community attitudes. We are starting to see a change; employer groups are promoting the benefits of employing older people and providing assistance to their members in doing this. However, we still have a long way to go.

The interim report does not address this issue. In the discussion about mutual obligation there is no mention of the obligation not to discriminate. We think the Reference Group needs to give more consideration as to how the issue of age discrimination, for the young and for older workers, can be addressed before putting the whole onus on the individual to find a job.

Employment Services

COTA believes the current employment service system does not give adequate attention to the issue of age discrimination and the role it plays in inhibiting people's opportunities for employment. Age in itself is not seen as a criterion for attracting a higher level of employment support even though there is ample evidence that sometimes that is the main reason for a person being unemployed.

We have argued in other places that more intensive support is needed when an older person first becomes unemployed. This is particularly true for people who have worked in one industry or with one employer for a number of years and so have only limited experience in current job search techniques and requirements. Putting more investment at the front end could significantly reduce the time someone spends on Newstart or related payment. Restricting more intensive assistance for six months or more is counterproductive.

We note that the Government has just implemented the Restart program of wage subsidies for older employed people. COTA welcomed this move and will be interested to see the take up and employment outcomes for older people who access it. However, our understanding of the research evidence is that wage subsidies need to be part of a comprehensive approach to employment services that work with people to address all the barriers to employment.

Older unemployed people must be given the same level of employment service assistance as other cohorts. There should be no assumption that because they are older they are less likely to be reemployed so receive less support. We deal below with other aspects of this.

Participation requirement

Currently the older unemployed (i.e. those over 55) are subject to a different activity test to younger people. They can meet the activity requirement by doing 15 hours of volunteer work rather than meeting the job applications requirement. The Government's recent proposals around work for the dole also treat older people differently, with them again able to using volunteering to meet their participation requirement.

These different requirements are ageist and help to perpetuate age discrimination. They could be viewed as an explicit acknowledgement and acceptance of the idea that older unemployed people will never get a job and should not expect to, and so they don't need to waste their time applying for jobs they simply won't get. It also means they do not get access to the full range of employment services - basically they are just being written off. It also makes it harder for them to get training and update their skills.

In an ideal world the participation requirement would be the same for all age groups. However, COTA would be concerned if this differential treatment were to be changed before we have seen some real evidence that age discrimination is on the decline. Some consideration also needs to be given to the value of the volunteer contribution that is generated and how that might be replaced.

COTA also shares the concerns expressed by others that some aspects of recently foreshadowed participation requirements are likely to be counterproductive – spending time on certain kinds of work for the dole can detract from job search, and getting people to apply for jobs to fill a quota when they have no chance of getting them is destructive of incentive.

CONCLUSIONS

COTA supports a simpler social security system that provides the income support people need when they have no other source of income. We believe there needs to be more consultation to identify the optimal way to restructure the system to help those who can work obtain and stay in work and provide adequate support for those who are unable to work.