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## Con Jobs: Why WorkChoices and Welfare to Work fail the vulnerable

**Recent changes to Australia's** industrial relations and welfare systems are carrying a very real human cost – and it is our most vulnerable citizens who are forced to pay the price.

### The latest on WorkChoices

The Australian Government introduced WorkChoices in March 2006. The national system of workplace regulation, which affects 85% of Australian workers, has been largely unpopular with the Australian public. As a result, the Government embarked upon a \$121 million advertising blitz<sup>1</sup>, and purged the term 'WorkChoices' from its public vocabulary.<sup>2</sup> The Government also shifted ground on the legislation: on June 20, 2007 it passed The Workplace Relations Amendment (A Stronger Safety Net) Bill 2007. This saw the introduction of a "Fairness Test", so that employees earning less than \$75,000 who sign a Workplace Agreement and trade off certain protected conditions receive compensation.<sup>3</sup> The Office of the Employment Advocate was renamed the Workplace Authority, and the Office of Workplace Services renamed the Workplace Ombudsmen. Both agencies have been given increased power to implement the Fairness Test and conduct random audits and checks.<sup>4</sup>

### The Verdict on WorkChoices: Is it working?

The Government argued that WorkChoices would "simplify and increase flexibility" in the workplace<sup>5</sup> in turn promoting high employment and low inflation, improving living standards and increasing international

competitiveness.<sup>6</sup> But an inquiry by the Industrial Relations Commission in South Australia has found that *the industrial relations system has become more complex, and there has been no gain to the economy in productivity or employment* as a result of WorkChoices. Indeed, working families are worse off because they are losing their entitlements.<sup>7</sup>

Under WorkChoices the following 'minimum conditions' are said to be protected by law:

- Minimum wage rates
- Maximum ordinary hours of work (38 hours per week)
- Four weeks paid annual leave
- Ten days personal/carers leave
- One year unpaid maternity or paternity leave

*But 45 per cent of Australian workplace agreements have had all of these protected conditions stripped away, according to statistics from the Office of the Employment Advocate (Workplace Authority) released in April this year.<sup>8</sup>*

In fact under WorkChoices, public holidays, meal breaks, penalty rates, shift/overtime loadings, annual leave loadings and allowances are *no longer protected by law*. These entitlements can be modified or removed if an employee accepts an Australian Workplace Agreement (AWA), and the agreement passes the Fairness Test set by the Workplace Authority.<sup>9</sup>



Interestingly, in September 2007 the Workplace Authority found that *one in seven workplace agreements failed the 'fairness test'*,<sup>10</sup> a clear indication that WorkChoices is proving to be an unfair, unworkable system.

But WorkChoices is not affecting all Australians equally.

### Women and families hardest hit by WorkChoices

Since the introduction of WorkChoices legislation, women's earnings have dropped in the private sector, and the gap in earnings between men and women has increased despite profits being at "record levels."<sup>11</sup> Under WorkChoices individual arrangements are often shrouded in secrecy and this makes gender equity in pay, which is dependant upon transparency around wages and conditions, a worsening problem.<sup>12</sup> It is women in lesser skilled jobs (such as labourers) on AWAs who

are particularly disadvantaged: in 2006, on average they earned 26% less than similar women on collective agreements, and 20% less than women on award pay.<sup>13</sup> A University of Sydney study has found that these changes contradict the Federal Government's commitment to the family, as they result in lower pay and job insecurity.<sup>14</sup>

The flexibility of individual employment contracts was, according to the Federal Government, supposed to allow for more family-friendly workplace conditions, such as flexible working hours or job sharing. Yet statistics from the Office of the Employment Advocate (Workplace Authority) show that *three quarters of Australian Workplace Agreements do not include family-friendly workplace provisions*.<sup>15</sup> In fact AWAs can easily lead to long and unsocial hours of work, restricting the common time families can spend together and making a healthy work-life balance more difficult.

At the same time that WorkChoices is disadvantaging many Australian workers, another recent Government initiative – Welfare to Work – is seriously impacting upon welfare recipients.

## Welfare to Work – hurting the most vulnerable

Welfare to Work represents the most significant downgrading of income support in the Australian Social Security system since the Social Security Act was introduced in 1947.<sup>16</sup> Welfare to Work came into effect on 1 July 2006, with the aim of helping Australians who have been out of the workforce and on welfare into employment. But the new scheme results in overall reductions in incomes for those most vulnerable. Long term unemployed and mature-age job seekers are particularly affected, as are:

**People with disabilities.** Those who apply for income support and are capable of working 15-29 hours per week now have to look for work. They

are moved from the Disability Support Pension (DSP) to Newstart Allowance (NSA) or Youth Allowance. While the Disability Support Pension was not subject to income tax, both Newstart Allowance and Youth Allowance are. According to the National Centre for Social and Economic Modelling (NATSEM), Welfare to Work results in a disposable income loss of up to \$120 per week for people with disabilities.<sup>17</sup>

**Single parents** applying for income support, whose youngest child is 6 years or older, now have to work for at least 15 hours per week. Sole parents are placed on Newstart Allowance, rather than the previous Parenting Payment Single (PPS), which is a lower payment and provides a much less generous income test. NATSEM reports that this reduces the disposable income of single parents by up to \$100 per week.<sup>18</sup>

The harsh income tests for Newstart Allowance means that many Australians will lose their eligibility for Social Security payments and the Pensioner Concession Card much sooner than if they had remained eligible for a pension. In addition, it can be up to 13 weeks before someone who claims Newstart actually receives their payment; financially-challenged Australians now must rely on their savings simply to survive.<sup>19</sup>

## Penalising people for working

Welfare to Work not only reduces the amount of money which recipients live on, it also provides very little motivation to enter paid employment. Those on Newstart Allowance face harsher income and asset tests than if they were on a pension, and while a pensioner can earn \$62 a week before their payment starts to be reduced by their income, the Newstart Allowance only allows for half of this – \$31 – before welfare payments are reduced.<sup>21</sup> Newstart recipients are also

penalized with high effective marginal tax rates, meaning that for every extra dollar someone on the Allowance earns, they will only take home between 30 and 40 cents.<sup>22</sup> Further, people with disabilities on Newstart are offered no guarantee that they will be even \$1 financially better off before they must accept a "suitable" job offer, even if this means they might go backwards financially.<sup>23</sup>

Serious breaches of the new welfare system result in individuals and families having their welfare payments suspended for eight weeks. This direct, targeted punishment of people fails to distinguish between those who are intentionally breaching the system, and those genuinely struggling, perhaps because of undiagnosed mental illness or homelessness.<sup>24</sup> While people classified by Centrelink as "exceptionally vulnerable" will be "case managed" by a charity, welfare organisation or Centrelink, and have their essential expenses paid directly, case management will only apply to 4,000 of the 18,000 people each year who will have their welfare payments cut.<sup>25</sup> In a reflection on the harshness of this penalty, many charities have refused to take part in the program. Centacare, which is a part of Catholic Social Services Australia, originally signed up for this program but has since pulled out as they believed they would "increasingly be seen as policemen and administrators of a harsh government policy."<sup>26</sup>

WorkChoices and Welfare to Work will act in conjunction to impact the most vulnerable: female sole parents, for example, may have to accept a job with an AWA which has poor conditions, or risk breaching welfare regulations.<sup>27</sup> These laws harm those seeking to provide a decent standard of living for their families and impose penalties on those trying to escape poverty. They also undermine the 'fair go' in work and life which all Australians deserve.

*Full references on the ERC website.*



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