Welfare to Work meets WorkChoices: more recruits for the reserve army

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Abstract: This paper argues that the introduction of the Workplace Relations Amendment (Work Choices) Act 2005 in combination with the Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Act 2005 constitutes a new phase in the ongoing assault on the working class to eradicate impediments to the pursuit of profit. WorkChoices builds on the foundation of the Workplace Relations Act 1996 to further entrench employer prerogatives through legal and institutional changes designed to exert downward pressure on wages and working conditions through restricting the scope of awards and agreements, limiting collective bargaining, and marginalising the Australian Industrial Relations Commission. Welfare to Work complements WorkChoices by cutting income support payments and co-opting some of the most disadvantaged groups into the labour force where they must participate in Mutual Obligation requirements and accept any employment offered.

1. Introduction

Implementation of WorkChoices and Welfare to Work continues the neo-liberal project of removing market constraints such as labour market protections and social security provision. Commencing on 27 March 2006 WorkChoices entrenches employer prerogatives and hampers the ability of workers to protect hard-won conditions. The Welfare to Work initiatives introduced on 1 July 2006 are intended to increase labour supply by restricting access to Parenting Payment (PP) and Disability Support Pension (DSP), while simultaneously introducing participation requirements to force people with disabilities, assessed as capable of working between 15 and 29 hours per week, and parents with school aged children to seek employment or undertake a Mutual Obligation (MO) activity.

The post-war welfare state was a conscious attempt to contain the class struggle through an over-arching government commitment to accept responsibility for providing a socially determined level of welfare through two mechanisms. First, governments sought to maximise employment, the primary means for the majority of the population to secure welfare and facilitate societal participation. Second, living standards were underpinned by progressive taxation, access to services, and income support for those either unable or not expected to support themselves through market activities. The economic crisis of the 1970s undermined the basis of the welfare state. The commitment to full employment was abandoned and governments embraced the neo-liberal agenda that privileges market solutions and sought to dismantle the welfare state (Raskall, 1993).

This agenda relied on implementing supply-side labour market policies that deny unemployment is a consequence of insufficient labour demand, instead blaming labour market regulation and bargaining arrangements, availability of income support, and individual inadequacies of the unemployed relating to education, skills, motivation or behavioural traits (Layard, Nickell and Jackman, 1991). Supply-side policies have been actively promoted by the OECD, as enunciated in the Jobs Study (1994) recommendations, to reduce conditions attached to work and welfare entitlements. Increased labour market flexibility was prescribed
to enable employers to reduce labour costs, reconfigure working time and reduce employment protection. In Australia the Business Council of Australia, National Farmers Federation and Australian Chamber of Commerce and Industry spearheaded an aggressive campaign to dismantle employment protections and drive down wages in the pursuit of increased profits. Facilitation of this agenda required reductions in unemployment benefits, making payments conditional on participation in active labour market programmes, including intensive job search, training, or participation in unpaid work, and more draconian surveillance and sanctions.

This paper examines WorkChoices and Welfare to Work. Section 2 summarises income support and industrial relations developments since the late 1980s. Section 3 considers the implications of WorkChoices, specifically the institutional changes that deliver virtually unfettered employer prerogatives. The following two sections explain the Welfare to Work initiatives and the likely outcomes for sole parents and people with a ‘partial capacity for work’.

2. Antecedents of WorkChoices and Welfare to Work

Major changes to Australia’s income support and industrial relations systems can be traced to the adoption of neo-liberal policies by the Hawke Labor Government in the mid 1980s that brought about an historic reversal in the social position of the working class by redistributing national income away from wages, salaries and social services to enhance corporate profit.

2.1 Welfare Reform

Policy innovations emanating from the Social Security Review (SSR) involved a fundamental shift from the rights-based social contract that had existed since 1945. Despite declaring that “the key labour market problem continues to be insufficient aggregate demand for labour” (Cass, 1988: 111), the SSR focused almost exclusively on supply-side ‘activation’ policies to increase employability of the unemployed and re-integrate other groups into the labour market in line with OECD recommendations. Activation commenced with introduction of the activity test for the unemployed along with individual agreements specifying job search, training and other activities, and was gradually extended to other groups by restricting access to non work tested benefits.

The Howard Government introduced MO requiring some Newstart and Youth Allowance recipients to combine job search with part-time or voluntary work, education or training or Work for the Dole (WfD). The McClure Report endorsed the Government’s ‘principle’ of “expecting people on income support to help themselves and contribute to society through increased social and economic participation in a framework of Mutual Obligation” (Reference Group on Welfare Reform, 2000: 62). Despite recognising significant structural or systemic impediments to finding work the McClure Report duly proposed extension of MO compulsion to include other jobless income support recipients of workforce age as subjects for transformation into contributing citizens.

Implementation of the McClure recommendations began with the Australians Working Together (AWT) package that closed access to Mature Age Allowance and Partner Allowance. Activity requirements for PP recipients marked a discontinuity from previous policy. Parents whose youngest child was aged over 6 were required to attend an annual planning interview, while participation in part-time employment, education or training for six hours per week was mandated for those whose youngest child was thirteen or older.
2.2 Industrial Relations Reform

A fundamental shift in class relations was engineered through the Prices and Incomes Accord between the ALP and the ACTU that reduced real wages and fundamentally reshaped the Australian industrial relations landscape. Indexation gave way to a concentration on removing restrictive work practices; then the Structural Efficiency Principle tied wage increases to award restructuring, without fully delivering union objectives in relation to skills. Finally, enterprise bargaining became the primary vehicle for wage increases, delivering significant changes to work organisation and conditions of employment demanded by employers and the Coalition since the end of the postwar boom. Agreements included changes to ordinary working hours, rest and meal breaks, shift work provisions, seasonal variations in working hours, penalty rates, public holidays and shift work, provisions for annualised salaries, time off in lieu of paid overtime, and relaxation of restrictions on casual, temporary, part-time, and contract work. Moreover, all negotiated wage increases were dependent upon “improving the productive performance of enterprises” (ACTU, 1993: 5.4), while safety net increases determined by the Australian Industrial Relations Commission (AIRC) were to be “consistent with promoting sustainable employment growth and substantially reducing unemployment” (Department of Industrial Relations, 1994: 37). Implementation of this transformation required fundamental attacks and disciplining of the working class with the cooperation of the ACTU and unions.

The Howard Coalition government built on Labor’s foundations (Campbell and Brosnan, 1999; Cranston, 2000; Wang et al., 2001; Fairbrother, Paddon and Teicher, 2002; Buchanan, Watson and Briggs, 2004; Ellem et al., 2005). The Workplace Relations Act 1996 introduced direct bargaining between employers and individual employees in the form of Australian Workplace Agreements (AWAs), further limited the role of unions, strengthened restraints on industrial action, and restricted the AIRC to 20 allowable matters in making awards, thereby eliminating long-standing conditions.

3. WorkChoices

The Workplace Relations Amendment (Work Choices) Act 2005 is based on the corporations power in the Constitution and covers employees of incorporated companies, constitutional corporations and Australian government bodies (Australian Government, 2005b). Unincorporated business currently in the Federal system can be covered for 5 years. The Government promoted WorkChoices as a cooperative system that provides flexibility and choice to employers and employees and eliminates interference from third parties. In fact, WorkChoices builds on the Workplace Relations Act 1996 to further entrench employer prerogatives (Briggs and Buchanan, 2005; Mack, 2005; Bray and Waring, 2006), curtail protected industrial action, erode wages and working conditions (Briggs and Buchanan, 2005; Cowling and Mitchell, 2005; Mack, 2005; Cooney, Howe and Murray, 2006; Cowling et al., 2006; Ellem, 2006), and further reduce the AIRC’s influence (Cowling and Mitchell, 2005; Cowling et al., 2006; Forsyth, 2006; Munro, 2006). This section examines how WorkChoices is designed to achieve these aims through three major components: the bargaining framework; operation of the Australian Fair Pay Commission (AFPC); and reduced role and power of the AIRC.

Wages and working conditions are anchored by the legally set Fair Pay and Conditions Standard (FPCS) comprised of:

- A federal minimum wage, minimum award classification rates of pay and casual loadings
- Four weeks annual leave
- Ten days personal/carer’s leave
- Up to 52 weeks unpaid parental leave
- Maximum ordinary hours of work of 38 hours per week, that can be averaged over twelve months by agreement, and reasonable additional hours

The FPCS cannot be overridden by collective or individual agreements. However, other current employment conditions promoted by the government as ‘protected by law’ can be ‘negotiated’ away. These include public holidays, rest breaks (including meal breaks), incentive-based payments and bonuses, annual leave loadings, allowances, penalty rates and shift/overtime loadings.

Despite pronouncements by the Minister for Employment and Workplace Relations, Kevin Andrews that WorkChoices marks evolution “towards a system that trusts Australian men and women to make their own decisions in the workplace and to do so in a way that best suits them…[and the]…Liberal and National Parties believe in the capacity of Australians to exercise choice and to work together” (House of Representatives, 2005: 17, 23), employers and employees are prohibited the ‘choice’ of including certain conditions in workplace agreements. Prohibited content includes employer deduction of trade union dues, permitting industrial action during the term of the agreement, paid leave to attend trade union training or union meetings, bargaining fees paid to trade unions, providing unions with information about employees, providing that future agreements will be collective agreements, unfair dismissal procedures, or union right of entry. In addition, restrictions on offering AWAs or the use of independent contractors or labour hire employees may not be included in agreements. The Office of the Employment Advocate (OEA) can remove prohibited clauses and impose financial penalties of $6,000 for individuals and $33,000 for organisations (Australian Government, 2006).

3.1 Simplified bargaining procedures

The WorkChoices bargaining provisions enhance employer prerogatives by reinforcing the power asymmetries that exist in the employment relationship (Briggs and Buchanan, 2005; Mack, 2005; Bray and Waring, 2006). Since the introduction of the Workplace Relations Act employers have determined whether collective or individual agreements would apply and the Howard Government has consistently supported those who used lockouts to insist on AWAs. Under WorkChoices acceptance of an AWA can be a condition of employment and refusing a job offered on these terms is classified as ‘voluntary unemployment’ by Centrelink and subject to an eight week payment suspension under Welfare to Work.

Agreements are lodged with the OEA and come into operation immediately but are not scrutinised or subject to the ‘no disadvantage’ test, nor are the contents publicly available. WorkChoices reduces the capacity for unions to bargain on behalf of members, and restricts access to workplaces (Mack, 2005; Ellem, 2006). Employer Greenfield agreements can be made unilaterally by employers for new projects of businesses and replace the award as well as overriding conditions in state laws. They remain in operation until they are terminated or replaced which requires agreement of the employer and employees.

Protected industrial action is restricted to periods after expiry of an agreement and after the AIRC has been notified of a bargaining period, and must be preceded by a secret ballot. Briggs and Buchanan (2005) point out that mandatory secret ballots impede industrial action by introducing a lengthy and expensive process with ample opportunities for legal challenges. Further, the bargaining period may be terminated by the Minister for Employment and Workplace Relations “where protected industrial action threatens life, personal safety, health
or welfare of the population or is likely to cause significant damage to the economy” (Australian Government, 2005a: 29).

Under WorkChoices not only is there no requirement for employers to negotiate new agreements but they are also at liberty to formally terminate expired agreements by giving 90 days written notice to the OEA. Under these circumstances employees may revert to the AFPCS; wages could fall to the FMW and employees would have no redress (Australian Government, 2005a). Employers therefore have an incentive to delay entering a new agreement to coerce workers to accept a new agreement on the employers’ terms. Alternatively employers may refuse to enter a new agreement altogether.

Building on previous reform, WorkChoices removed recourse to unfair dismissal procedures in firms with less than 100 employees while employers with more than 100 employees are exempt if dismissals are due to ‘genuine operational reasons’. The Government justified this measure as a means of removing an unfair cost to business that was detrimental to productivity and employment levels, while downplaying detrimental effects for employees by suggesting that unlawful termination laws provide effective protection from arbitrary dismissal (Australian Government, 2005b). However, Munro (2006: 144) makes the point that WorkChoices will remove opportunities for redress for the vast majority since only 163 of 63,439 cases between 1996 and 2005 relied on unlawful grounds.

3.2 Restricted influence of the Australian Industrial Relation Commission (AIRC)

WorkChoices severely limits the role of the Australian Industrial Relations Commission (AIRC) by transferring wage-setting to the Australian Fair Pay Commission (AFPC) and approval of workplace agreements to the OEA. Conciliation and arbitration powers are restricted and the AIRC role in determining awards is reduced to ‘award simplification’ and ‘award rationalisation’ under direction from the government. Forsyth (2006: 29) concludes that “[t]he Government has not abolished the AIRC, but the provisions of the 2005 Act are aimed at achieving its demolition by stealth.”

The major role for the AIRC under the new regime is to police unions (Briggs and Buchanan, 2005). It retains a role in relation to protected bargaining periods but in addition to the conditions set out in the Workplace Relations Act, is required to suspend or terminate the bargaining period if industrial action exposes third parties to significant harm, if pattern bargaining is occurring or if a ‘cooling off’ period is necessary. The AIRC is required to determine applications to stop or prevent unprotected industrial action within 72 hours (Forsyth, 2006). WorkChoices also introduces private Alternative Dispute Resolution organisations that can be used as an alternative to the AIRC.

3.3 Australian Fair Pay Commission

The AFPC determination function includes setting the federal minimum wage (FMW) and the Australian Pay and Classification Scales (APCS). The AFPC determines the frequency and process of wage decisions and can commission research, accept submissions and consult. However there will be no public hearings or cross-examination as occurred at AIRC safety net hearings (Cowling et al., 2006). Importantly, the AFPC has an over-riding duty to consider economic conditions when making decisions.

The Commission consists of 5 commissioners hand-picked by Prime Minister Howard. Commission Chairman, Professor Ian Harper is an economist who has held various academic positions as well as providing economic advice to government, banks and business. His
credentials as a champion of the poor were challenged by a member of his 2001 Distribution of Work and Wealth taskforce for the Anglican Church. A minority report criticised the taskforce for remaining “relatively silent on the industrial rights of workers and the changing balance of power between labour and management” (Taskforce of the General Synod of the Anglican Church of Australia, 2001: 55). As long ago as 1994 Commissioner Judith Sloan, then an academic, advocated stripping awards back to “their bare minimum conditions”, management discretion in setting starting and finishing times and shift arrangements, and the use of individual agreements. She criticised the President of the AIRC for stating that the Commission’s role was “to inject social justice into workplaces” (Sloan, 1994).

Patrick McClure, Director of Macquarie Bank, Deputy Chair of the Welfare to Work Consultative Forum, former CEO of Mission Australia and Chairman of the Independent Reference Group on Welfare Reform is also an AFPC Commissioner. He steered Mission Australia to become a top 200 company with revenue of $250 million (up from $38 million in 1995), and the second largest Job Network provider in Australia in 2005. The remaining Commissioners are businessman Mike O’Hagan, a strong advocate of AWAs, and Hugh Armstrong, formerly a trade union bureaucrat and member of various Industrial Relations Committees in Victoria and South Australia.

The first AFPC wage decision was important politically, given the public perception that WorkChoices was unfair. From 1 December 2006 low paid workers, defined as those earning up to $700 (two-thirds of average weekly ordinary time earnings), obtain an increase of $27.36 per week while a smaller increase of $24.04 was awarded to those earning over $700 per week. Despite the jubilant ACTU reaction the wage increase was modest. The FMW increase kept pace with inflation. However, the flat increase meant that workers earning more than the FMW received a real pay cut, particularly those earning over $700 per week who received only $24.02 per week. The AFPC clearly identified the objective of forcing these workers into the wage bargaining arena, implementing the policy advocated by the Australian Industry Group of ensuring that the increase was less than increases gained through bargaining. The Commission stated:

> The decision to award a smaller increase to those employees earning above $700 per week is partly based on the proposition that these employees are better equipped to reach workplace agreements themselves and should be encouraged to do so. (AFPC, 2006a: 91)

It was this aspect of the decision that Prime Minister Howard described as ‘genius’.

The AFPC decision took into account the impact on inflation, demand for and supply of labour, providing a safety net for low paid employees, recent tax cuts and increases in income transfers (AFPC, 2006a). The AFPC accepts that there is a significant negative relationship between wages and employment as predicted by neoclassical theory. This proposition featured in the government submission (AFPC, 2006b) and commissioned that research concluded “[t]he responsiveness of employment to wage changes is beyond doubt” (Lewis, 2006: 6). Consequently, higher unemployment rates will almost certainly result in lower wage increases. However, support for this claim remains contested (see Cowling et al., 2006 for discussion of this issue).

3.4 Summary

WorkChoices limits the ability of workers to oppose cuts in wages and conditions, thereby further entrenching employer prerogatives. Collective action by employees is reduced through compulsory secret ballots prior to action, while lockouts by employers can be swiftly implemented. Privileging bargaining in a situation of asymmetrical power, removal of the no disadvantage test and changes to unfair dismissal will have a detrimental impact on workers,
particularly those working in low skill positions (Munro, 2006). The credentials of the AFPC Commissioners, concentration on economic conditions rather than fairness in setting wages, and indeed the very establishment of the AFPC points to downward bias in future wage increases, especially during economic contractions (Briggs and Buchanan, 2005; Cowling et al., 2006; Munro, 2006). Money wage cuts are not precluded, providing wages do not fall below the level of the 2005 AIRC decision of $12.75 per hour.

4. Welfare to Work

The Welfare to Work initiative that began on 1 July 2006 is the “most substantial piece of welfare legislation” introduced by the Howard government (Daniels and Yeend, 2005: 54). It affects three main groups: the very long-term unemployed (VLTU); parents of school-aged children; and people with disabilities with Job Capacity Assessments that they are capable of working between 15 and 29 hours per week.

Very long-term unemployed people “assessed as having a pattern of work avoidance” (DEWR, 2006) may be required to participate in full-time Work for the Dole (WfD), consisting of 50 hours work per fortnight for 10 months. Participation requirements have also increased for some Newstart Allowance (NSA) recipients.

PP changes separate recipients into two groups, those granted PP prior to 1 July 2006, and those applying after that date. The former continue receiving the payment until their youngest child turns 16 but are required to satisfy part-time participation requirements when their youngest child turns 7 or 1 July 2007, whichever is the later. New PP applicants from 1 July 2006 are eligible until their youngest child turns 6/8 (partnered/single parents) and have a participation requirement when their youngest child turns 6. Participation requirements include looking for part-time work of at least 15 hours per week, registering with a Job Network agency, and meeting an annual part-time mutual obligation requirement of 150 hours over 6 months, with WfD the default option.

DSP recipients who applied prior to 11 May 2005 continue to receive DSP subject to the normal review conditions. Those granted DSP between 11 May 2005 and 30 June 2006 will be reassessed progressively and if capable of working 15 hours or more will be transferred to Newstart. Since 1 July 2006 all DSP applicants are referred for a Job Capacity Assessment and those assessed as capable of working 15 to 29 hours per week are required to apply for an alternative benefit. They must participate in employment services, seek appropriate part-time work of 15 hours (or more) per week and satisfy an annual mutual obligation requirement of 150 hours over 6 months.

Welfare to Work also includes harsher compliance arrangements. Failure to meet participation requirements three times in a twelve month period results in a non-payment period of 8 weeks. In addition an eight week non-payment period is also imposed for serious breaches, specified as: failure to accept a job offer; leaving a job voluntarily or being dismissed; or failure to complete a full-time WfD placement.

5. What are the implications of the Welfare to Work changes?

Two aspects of Welfare to Work complement WorkChoices. First, benefit reductions for sole parents and people with disabilities forced to apply for Newstart, chips away at the wage floor imposed by income support payments. Second, the combination of greater participation requirements and harsher penalties for non compliance drives some of the most disadvantaged sections of the population into competition for low wage, precarious employment, the effect
of which will be further erosion of wages and conditions. It is no coincidence that among the members of the government’s Welfare to Work Consultation Forum are Patrick McClure from the AFPc and Peter Hendy, Chief Executive of the Australian Chamber of Commerce and Industry, neither of whom have any experience of existing on $455.30 or less per fortnight. This section discusses the repercussions of the new requirements.

5.1 Is compulsion necessary?

Parents, people with disabilities and the VLTU face serious and complex employment barriers including lack of experience, marketable skills, education, qualifications and confidence; difficulties accessing transport or child care; employer resistance; significant caring responsibilities; and a higher probability of illness, disability or living in areas of high unemployment (see Appendix for characteristics of VLTU and PP recipients). In addition, 54.7 per cent of DSP recipients were aged over 50 in 2005 (DEWR, 2005b).

The argument for compulsory economic and social requirements is based on the false premise that people with disabilities and parents do not participate ‘sufficiently’, de-legitimising child care and other activities as participation. In 2000, 22 per cent of sole parents worked full-time, 24 per cent worked part-time and 16 per cent were unemployed (Walter, 2002). Available work is often insecure, low paid and over half the sole parents who left income support due to earnings returned within a year (McInnes, 2002; Walter, 2002). In 1998 the unemployment rate for people with disabilities was 11.2 per cent compared to 7.9 per cent for those without disabilities and in 2001 5,400 people were unable to obtain employment service assistance (Redmayne et al., 2003).

Table 1 PP and DSP recipient labour force and education participation

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>2000a</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSP</td>
<td>PPP (%)</td>
<td>PPS (%)</td>
</tr>
<tr>
<td>Employed</td>
<td>9.6</td>
<td>16.6</td>
</tr>
<tr>
<td>Self-employed</td>
<td>2.1</td>
<td>12.3</td>
</tr>
<tr>
<td>Looking for work</td>
<td>9.0</td>
<td>11.8</td>
</tr>
<tr>
<td>Studying</td>
<td>6.6</td>
<td>9.8</td>
</tr>
<tr>
<td>Voluntary work</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

a. Within last two months

Source: (Carlile et al., 2002; Saunders, Brown and Eardley, 2003)

Table 1 summarises actual participation of income support recipients and the Appendix provides additional information on aspirations. FaCS research in 1998 found that income support recipients were engaged in “prolonged activity in the identified forms of economic participation” (Saunders, Brown and Eardley, 2003: 26). The report also cautions that the amount of time required for medical treatment for people with disabilities may “reduce their ability to engage in other forms of economic and social participation (Saunders, Brown and Eardley, 2003: 26).

Moreover, participation requirements for PP recipients who were grandfathered when Welfare to Work commenced demonstrates that it was not necessary to transfer new applicants to Newstart Allowance.
5.2 Financial consequences of Welfare to Work

Closure of access to DSP and PPS for some income support recipients represents an immediate and substantial reduction in living standards, ignoring the fact that sole parents are already substantially more likely to experience financial stress (Breunig and Cobb-Clark, 2005). Approximately 75,700 people with partial capacity to work and 86,200 sole parents will be subject to lower payments in 2008-09 (Daniels and Yeend, 2005: 10, 20). NATSEM (Harding, Vu and Percival, 2005; Harding et al., 2005) estimated that:

- Payments would be reduced by $29 per week for sole parents with one child and $46 per week for people with disabilities.
- Substantially higher effective marginal tax rates apply and income support cuts out at a much lower rate of earnings ($398 per week compared to $706 per week for DSP and $718 for a sole parent with one child).
- Compared to entitlements prior to July 2006, earnings of $200 per week (around 15 hours of work at the FMW) would leave recipients $95/$101 (PPS/DSP) worse off.
- Comparing increases in disposable income for earnings of $200 per week for Newstart recipients to DSP and PPS rates without earnings, disposable income increases by $54 per week for sole parents and only $36 per week for people with disabilities, before deducting work related expenses such as transport and child.

Thus, even if people work for 15 hours per week their living standards will not improve.

5.3 How successful will Welfare to Work be?

Welfare to Work provides $562.3 million assistance for people with disabilities and $389.7 million for parents. Parents have access to new child care places, an Employment Preparation Service, and standard entitlements such as employment entry payment, education entry payment and JET Child Care Fee Assistance. People with a partial capacity for work will have enhanced access to the JN including Disability Open Employment Services, rehabilitation, Personal Support Programme and Job Placement Employment and Training. The Job Capacity Assessment will identify employment barriers and refer clients for assistance. Some will also benefit from Mobility Allowance and the expanded Workplace Modifications Scheme.

Part of the justification for Welfare to Work is that unemployment is at 30 year lows and employment opportunities are going begging. However, labour market underutilisation is significantly higher than the official unemployment rate. Keating (2003) estimated total underutilisation at 1.8 million. Using an hours-based approach underutilisation was around 9.5 per cent in August 2006 (CoffEE CLMI, 2006). Furthermore, the characteristics of the target groups do not match skills in demand (see previous section).

Mitchell (2006: 30) contends that the system is “ill-equipped to handle the scale of the specialist services that will be required” by the influx of 86,200 sole parents, 26,100 partnered parents and 75,700 people with disabilities affected by Welfare to Work by 2008-09. He outlines deficiencies in the JN including high levels of staff turnover, burnout and psychological morbidity among JN workers and evidence that the JN “does not effectively deal with workers who require specialist support” (Mitchell, 2006: 23). Moreover, the number of places allocated for Disability Open Employment Services (11,586 over three years) is insufficient to ensure access to specialist services.

Insight into the probable success of WTW can be gleaned by reference to previous outcomes. The DSP pilot involved voluntary participants and achieved placements for 45 per cent of
those commencing Intensive Support (ISca) (Research Evaluation and Legislation Group, 2005). However, many of these jobs were not sustained. Only 28 per cent of ISca commencements maintained jobs for 13 weeks and around 19 per cent were expected to remain in employment after 6 months. Apart from the voluntary nature of the trial the two major factors associated with success were recent employment experience and tertiary education. Cai, Vu and Wilkins (2006) examined Centrelink payment records and found that only a small proportion of DSP recipients left DSP due to employment and failure to maintain employment resulted in a high rate of return.

AWT initiatives did not increase employment outcomes for PP, DSP and mature-aged Newstart recipients despite similar assistance measures to those included in Welfare to Work, although PP recipients participation in voluntary work and study increased (DEWR, 2005a). Qualitative research on the effect of compulsory participation requirements for parents with children 13 to 15 found that many parents were already participating in activities, including working part-time and the majority dedicated more hours than required (Alexander et al., 2005). Parental involvement in children’s school and sporting activities declined and some participants reported increased stress, tiredness, irritability, and time pressures.

5.4 Summary

Parents and people with disabilities with participation requirements and the VLTU are unlikely to “have that opportunity to be able to work” (Andrews, 2005) promised by the Government due to insufficient labour demand and inadequate assistance to address substantial barriers to employment. Many who gain employment are likely to cycle through periods in precarious part-time or casual low wage employment and periods of income support and will comprise a ready supply of low wage labour with little discretion over their employment conditions.

6. Conclusion

WorkChoices and Welfare to Work are the latest but by no means the final instalment in a long-running attack on the living standards of Australian workers, designed to eliminate deductions from surplus value to boost profits. The simultaneous implementation of Welfare to Work and WorkChoices is no accident; the legislation is designed to drive down wages and working conditions, reduce non-market income support and create a pool of low wage labour (Briggs and Buchanan, 2005; Ellem, 2006). WorkChoices aims to eradicate long-standing working conditions and put downward pressure on wages by fostering the spread of AWAs and limiting the bargaining power of workers. Forcing parents of school aged children and people with disabilities to seek part-time work and simultaneously subjecting them to substantially lower rates of income support and higher effective marginal tax rates reveals the callous agenda behind Welfare to Work, primarily designed to force people into the labour market as a source of cheap labour rather than assistance to increase living standards.

The future direction for income support and industrial relations will be more of the same. Award simplification and rationalisation will inevitably reduce employment protections and force an increasing proportion of the workforce into the bargaining arena where the contents of agreements will be increasingly determined by employers. In tandem with these developments, the outcome of AFPC decisions will be biased downward because the Commission remains legally bound to take into account the state of the economy, and the effect of any wage increase on inflation and employment. The ultimate test of the ‘fairness’ of the AFPC will be when there is an economic downturn and the Commission acts on its
conviction “that there is a negative relationship between the level of minimum wages and employment in Australia” (AFPC, 2006a: 8). Bipartisan support for the compulsory absorption of some of the most disadvantaged groups into the MO framework of punitive individual contracts in return for meagre assistance means that there is no hint of a change in relation to income support policy.

References


Appendix: Characteristics of VLTU and Parenting Payment recipients, 2000

<table>
<thead>
<tr>
<th></th>
<th>VLTU (%)</th>
<th>PPP (%)</th>
<th>PPS (%)</th>
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<tbody>
<tr>
<td><strong>Employment experience</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Mainly worked full-time</td>
<td>44</td>
<td>34</td>
<td>32</td>
</tr>
<tr>
<td>-Mainly looking for work</td>
<td>35</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>-Mainly worked part-time</td>
<td>9</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>-Mainly home duties</td>
<td>7</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td><strong>Highest level of education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Did not complete Year 10</td>
<td>25</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>-Completed Year 12</td>
<td>10</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>-Post secondary</td>
<td>13</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>-Formal qualification</td>
<td>28</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td><strong>Self assessed health</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-good/excellent</td>
<td>59</td>
<td>65</td>
<td>72</td>
</tr>
<tr>
<td>-fair/poor</td>
<td>42</td>
<td>34</td>
<td>28</td>
</tr>
<tr>
<td><strong>Own transport</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>44</td>
<td>68</td>
<td>56</td>
</tr>
<tr>
<td><strong>Perceived chance of getting a job</strong></td>
<td></td>
<td></td>
<td></td>
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<td>-good</td>
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<td>-poor</td>
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<tr>
<td><strong>Main reason for rating chance of getting job as poor</strong></td>
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<td>-Do not have skills</td>
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<tr>
<td>-Own age/too old</td>
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<td>-No suitable jobs</td>
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<td>-Family responsibility</td>
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<td>-Transport problems</td>
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<tr>
<td>-Too long out of work</td>
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<td>20</td>
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<tr>
<td>-Ill health/Disability</td>
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<td>18</td>
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<td><strong>Those not working who would prefer to be working now</strong></td>
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<tr>
<td>-prefer full-time</td>
<td>85</td>
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<td>63</td>
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<tr>
<td>-prefer part-time 16-20 hours</td>
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<td>50</td>
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<tr>
<td><strong>Prefer to work in next five years</strong></td>
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<td><strong>Study</strong></td>
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<tr>
<td>-Would like to be studying now</td>
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<td>36</td>
<td>57</td>
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<td>-Would like to study in next five years</td>
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<td><strong>Main reason currently studying</strong></td>
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<td>-Vocational/improve job skills</td>
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<td><strong>Main reason for not studying now</strong></td>
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<td>-Cost of course</td>
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<td>-Care of other person</td>
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<td>-Ill health/Disability</td>
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Source: (Carlile et al., 2002)