



SPEECH

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Can I say how heartening it was to receive an invitation to speak at a Young Labor meeting in response to my latest Progressive Essay in which I argue in favour of reward for effort and against passive welfare.

That such a message resonates among young members of a progressive political party who live in the global, cosmopolitan city of Sydney probably should not have come as a surprise. But it did; and a thoroughly pleasant one at that.

You see, the conventional way ahead for young people in political parties – conservative and progressive – has been to chant mantras scripted by older politicians in high places. No matter whether the mantras had their origins in Cold War politics, when conservatives championed freedom, liberty and self reliance while relentlessly increasing the size of government.

When the Chifley government left office, government spending was less than 20 per cent of GDP. The conservatives lifted the size of government to more than 23 per cent during their 23 years in office that came to an end with the election of the Whitlam government in 1972.

It is true that the Whitlam government substantially increased the size of government. But despite campaigning against big government, most spectacularly with its decision to block supply, the Coalition led by Malcolm Fraser never got around to paring it back. Instead, Prime Minister Fraser and Treasurer John Howard increased spending to 30 per cent of GDP.¹

In post-war Australia, progressives campaigned for the welfare state while the conservatives in government implemented it.

It took the election of a progressive government – the Hawke Labor government – to arrest the march towards a fully-fledged welfare state. The spending program inherited by the Hawke government from the conservative Fraser-Howard government was simply unaffordable and unsustainable. The \$9.6 billion budget deficit that Hawke and Keating

¹ Figures from Reserve Bank of Australia.

inherited is equivalent to a deficit of \$24 billion in today's dollars – or almost \$50 billion relative to the size of the economy!

The Hawke Labor government recognised the unaffordability of the conservatives' practice of paying an age pension irrespective of the wealth of the recipients. Those champions of small government – the conservatives – campaigned hard against the assets test on pensions in the lead-up to the 1984 election.

Later, in its 'Restraint with Equity' May statement of 1987, Labor means-tested the family allowance at an annual income of \$50,000 a year, acknowledging the unaffordability of the post-war practice of providing taxpayer-funded family payments to those who didn't need them.

Then Paul Keating, appreciating the value of self reliance, designed the compulsory superannuation arrangements that have gone a long way towards assuring an adequate retirement income for working Australians and reducing their dependency on the age pension.

What was the response of those conservative champions of small government? The Coalition opposed the spreading of superannuation to working people with all the vigour and indignation it could muster.

So much for John Howard's repeated claim that the Coalition fully supported Labor's economic reform program.

Indeed, one of Howard's first actions in government was to break his promise to implement Labor's superannuation co-contribution scheme, or a similar scheme, that would have lifted superannuation contributions from 9 to 12 per cent of incomes.

And, true to form, in the most recent budget the Coalition has further eased the assets test on pensions (after successive easings during the last decade). The cost? Around \$5.6 billion over the four-year forward estimates period, none of which is budgeted for. If that seems a lot of extra welfare for the better off, imagine how it will blow out over the next 40 years when the proportion of Australians over the age of 65 will almost double.

Under the conservative Howard government, social security payments are more than 14 per cent of household income – much bigger than the 9 per cent at the end of the Hawke government or the 6 per cent of the Whitlam era. The Howard government has increased real spending on social security and welfare by more than half in just ten years. At current growth rates in social security spending, Australian taxpayers would have to contribute an extra \$24 billion a year (in today's dollars) by 2020 to feed the welfare monster created by John Howard and Peter Costello.

Progressives must not respond by entering into a bidding war with the Coalition to determine which party will spend more on welfare. Better education, health care and housing is needed in remote Aboriginal communities and in disadvantaged regional and urban communities. But these problems will not be solved simply by increasing income support payments.

Passive welfare is robbing people of self-esteem, of basic human dignity. Self-esteem, so fundamental to individual wellbeing, is gained through personal achievement and the

recognition of those achievements by others. An ever-expanding welfare state penalises personal achievement.

In no way does this argue for a philosophy of leaving people who have fallen on hard times to fend for themselves. In a civil society the poor should be assisted to get back on their feet. And governments must do everything possible to free their children of suffering and deprivation.

But it does not follow that income support for the underprivileged should be passive; that it should be unconditional.

Passive welfare is poison, not compassion.

I know many people on passive welfare. Most are not happy being on welfare. Most are not thankful. Most are angry and resentful about their social exclusion. And they have good reason to be. They have missed out on educational opportunities that their more privileged peers take as a birthright. They are stigmatised; often frowned upon as bludgers.

Increasing their welfare payments will not, of itself, make them happier.

They need understanding. They need respect. They want a place in mainstream society. They need support to find their place in the sun.

Passive welfare says to them: 'your place is outside of mainstream society, you are on the outer, and your children are on the outer too'.

The conservatives have their own ideas on passive welfare and mutual obligation. They require poor single mothers to go out and work when their youngest child turns eight for less than \$3 an hour after deducting from their pay income tax, lost benefits, child care costs and travel and work costs. Single mothers with few work skills will respond in the rational way when confronted with this reality. They will have another baby, putting them back on passive welfare for eight more years and picking up a \$4000 cash baby bonus along the way.

The Howard government thinks this is clever, calling it welfare to work when it is really welfare to welfare. The Howard government thinks it's clever to force single mothers off one benefit that offers a reasonable education allowance onto another that doesn't. It isn't clever; it's disgusting.

But the Howard government regards as even cleverer the unconditional payment of cash benefits to fabulously wealthy mothers as long as they agree to stay at home.

It would be against the national interest for Labor to compete with the Coalition by promising a bigger welfare state. As the Coalition well and truly colonises the territory of the welfare state, Labor should position itself to occupy the ground of individual freedom, self-fulfilment and self-reliance.

Labor should return government to where it rightly belongs – as servants of the people – reversing the Coalition's welfarism of making the people servants of the government.

By refusing to bid in the welfare auction, Labor would be giving the people greater control of their destinies. By promoting liberty, freedom and self-reliance, Labor would be giving power back to the people in the great social democratic tradition.

In this modern social democracy, those who genuinely need financial support would be given it. Families in need of support in covering the extra costs of raising children would be given it. Australians who are denied opportunity would be given it. Those who need incentive would be given it. And those who want freedom from government interference in their daily lives would be given it.

By far the best pathway to breaking the cycle of dependency is through education of the children of underprivileged parents.

But two towering barriers stand in the way of the progressive dream of a quality education for disadvantaged children. One is money.

The other barrier is even more formidable.

Where poor parents themselves have missed out on a good education, the challenge of providing their children with a quality education becomes enormous.

To this day there is a general acceptance that kids in dysfunctional, welfare-dependent, families just aren't as bright as those living in affluent communities. Too many teachers in poor communities, struggling just to administer pastoral care to the children of broken, dysfunctional families, accept and reinforce this belief.

How would high-income earners have fared if, as children, they had lived in a household where the only book was a telephone book? How well would they have done if teacher aides had to educate them by using junk mail as the only source of written material available to them? Would they have been able to learn if every day they went to school hungry, if their mother was routinely beaten by a drunken father, if they were bashed at home, if they were sexually abused?

What makes some people believe that abused, bashed, hungry children are genetically less intelligent than the children of doctors and lawyers? Isn't it equally plausible that they are just as intelligent as their better-off peers but that they never get the chance to excel?

Many highly-intelligent, brilliant young Australians miss out on a good education – because they are growing up in dysfunctional families and in disadvantaged, welfare-dependent communities.

In my own area, in Logan City, an estimated two-thirds of chronic school absences are condoned by parents. Some parents just can't cope. Depressed single mothers want a child to stay home with them. Physically abused mothers are just trying to survive from one day to the next.

Other parents are more culpable, insisting that the lack of education never did them any harm and therefore won't harm their children.

Effective early intervention programs are needed for successful early childhood development. We should pay tribute to the states, led by Victoria, for getting early

childhood development accepted onto the agenda of the Council of Australian Governments last Friday.

Children in disadvantaged families find it impossible to complete their homework if they have no place they can call home. Living in temporary accommodation, short-term emergency housing or temporarily with relatives in overcrowded rooms is hardly a good learning environment.

The main cause of homelessness for women – and therefore for their children – is domestic violence. Women suffering domestic violence simply have to leave to survive.²

And almost all parts of Australia are experiencing an inadequate supply of affordable rental properties. Housing affordability for low-income earners is one of the most pressing social problems confronting Australia today. Median rents for two-bedroom apartments are \$300 a week in Sydney, \$250 a week in Brisbane and \$230 a week Melbourne. Vacancy rates are at historic lows.

There are two main causes of the rental housing shortage for low-income Australians. The first is reduced supply of public housing. The Howard government simply does not believe in public housing. Here, yet again, is a fundamental philosophic difference between Labor and the conservatives. Labor sees a vital role for public housing in alleviating the suffering of the disadvantaged.

The second cause is a preference among property investors for more expensive rental accommodation.

A lot of creative thinking is going on as to how rent assistance could be better used to improve the supply of affordable private rental accommodation for the underprivileged. Some of these ideas involve capitalising expected rent assistance payments into up-front lump-sum amounts to help increase the affordable rental housing stock.

In the tight rental market affecting most Australian cities, towns and regions, defaulting on rent payments can have terrible consequences for the less well-off.

Most private renters on low incomes are acutely aware of the risk of eviction from defaulting on their rental payments and usually pay their rents as a first priority – even going without food, telephone and other basics just to keep a roof over their heads. Those who fail to pay their rent almost always do so either because they genuinely cannot afford the high rents being charged or because they have other problems such as drinking, drug use, gambling or mental illness.

Rent defaulters are placed on tenancy data bases, which are available to landlords around the country.

In most states, these data bases are not accessible to the tenants themselves. Tenants may not be aware that they are on data bases and therefore may not have any opportunity to correct errors. Queensland's Attorney-General, Linda Lavarch, is taking the lead on developing national model legislation and Queensland has already acted to improve the integrity and transparency of tenancy data bases.

² My thanks to Labor's shadow housing minister, Senator Kim Carr, for his constructive comments on this section. However, the views expressed are entirely my own.

Renters listed on tenancy data bases can find it much more difficult to obtain private rental accommodation.

Public housing supplies are never adequate to accommodate all of the demand for affordable rental accommodation for the underprivileged. Rent defaulters who are refused private rental accommodation often end up making do by cramming in with friends or relatives or staying in short-term accommodation on a week-to-week basis.

None of these living arrangements is conducive to children learning.

Commonwealth rent assistance is a form of passive welfare. It is payable to welfare beneficiaries who can produce a lease document or who complete a certificate at Centrelink stating that they are renting. Rent assistance remains payable regardless of whether the tenant is actually making good on rent payments. The tenant need only be occupying rental accommodation.

Rent assistance can be up to 45 per cent of rent payments in the case of single-parent families and 38 per cent for two-parent families – though in today's tight rental market it is typically less.

As part of a comprehensive response to the national problem of homelessness that involves extra private and public investment in rental accommodation for the underprivileged, why not turn rent assistance into an asset for those renters with a history of defaulting by paying rent assistance directly to landlords?

Landlords would know with certainty that they will receive from the commonwealth, on time, a substantial proportion of rent due. In these circumstances, they are more likely to take on a renter with a history of defaulting, since a large part of rent due would be guaranteed by the commonwealth and paid in a timely manner.

Welfare recipients at present have the option of authorising Centrelink to make electronic transfers for rent, electricity and other specified expenses directly out of their Centrelink payments. My proposal is to make this compulsory for customers claiming rent assistance who have a long history of defaulting on rent payments. Those customers could also be encouraged to authorise Centrelink at the same time to transfer the balance of rent payable out their other income support payments.

Some may say this is an invasion of civil liberties and of the rights of parents. But surely children have a right to a secure roof over their heads and taxpayers have a right to be assured that the rent assistance they provide is actually being used on accommodation.

It is possible that, with the commonwealth paying rent assistance direct to landlord, renters with a long default history could be re-rated, making it easier for them to obtain rental accommodation, and on more favourable terms than at present.

Critics will instinctively argue that paying rent assistance direct to landlords will enable them to put up rents for the poor. Where the rental market is not competitive, the landlord might keep that benefit without reducing rent. But if the landlord was able to get away with charging higher rents, they would be charged anyway. There is no extra capacity for the landlord to increase rents when the risk of default falls.

Paying commonwealth rent assistance direct to landlords would help poor renters with a history of defaulting and it would help their children.

Children in disadvantaged communities need our help and support. So do their parents. Punitive welfare like the Howard government's treatment of poor single mothers is destructive of human dignity. Passive welfare destroys self-esteem and individual liberty. Positive, active income support payments can help, where they are backed up by support teams with the goodwill to help break the cycle of welfare dependency and give children a decent start in life.

Progressives are rethinking the welfare state. Thank you for your interest in being part of the contest of ideas for a prosperous, fair, tolerant and compassionate Australia.