



Brotherhood
of St Laurence

Working for an Australia free of poverty

Submission to the Victorian Budget 2009–10

Building capacity and preventing social and economic exclusion:

Proposals in response to the economic downturn

Brotherhood of St Laurence

February 2009

Brotherhood of St Laurence
67 Brunswick Street
Fitzroy
Victoria, 3065.

ABN 24 603 467 024

www.bsl.org.au

For further information or to discuss this policy paper, please contact:

Michael Horn
Senior Manager
Research & Policy Centre
Brotherhood of St Laurence
67 Brunswick Street
Fitzroy, Vic. 3065.

Email: mhorn@bsl.org.au
Ph: (03) 9483 2496

Summary

The Brotherhood of St Laurence's submission this year focuses unashamedly on the imperative for governments to implement a comprehensive package of initiatives that will act to minimise the extent of job losses across our community, ameliorate the extent of social exclusion resulting from increased unemployment and financial hardship, and ensure an appropriately equipped work force is available to power the economy when strong economic growth returns.

We believe that the focus for the coming period of at least 3 years should be placed on measures that support job retention, stimulate job creation and build capacity (both infrastructure and human capital). The lessons from the previous recession of 1990–91 and its subsequent impact on Victoria must be heeded.

Our analysis of past downturns provides a likely scenario for the peak in long term unemployment in mid 2011 with almost a quadrupling of the numbers of LTU from the current 18,000 to 66,000 persons. This is based on unemployment rising from the current level of 4.6% to 8.0% or 220,800 persons. It is likely to take the best part of a decade of solid economic growth to recover the lost ground in terms of economic participation of the unemployed.

If we are to avoid the levels of social exclusion and welfare reliance, it is imperative that we focus on economic participation. Experience from previous downturns indicates that certain categories of job seekers are particularly vulnerable in the period after the trough in the economic cycle. Those with low skills, poor education and little or no work experience are more likely to be left behind as the economy emerges out of recession. Young school leavers, single parents and mature aged retrenched workers, as well as indigenous Victorians and those with low English proficiency will be more vulnerable.

It is likely that particular industries and sectors will be harder hit in this recession with long term or permanent reductions in workforce numbers even when the economy picks up. This is likely to have a differential impact on regional and rural communities – especially those with a higher dependence on single industries that will not fare well. We expect to see increasing spatial divergence in the levels of unemployment and LTU over the next few years.

Whilst the prime responsibility for funding and implementing measures that will minimise job losses and stimulate job creation rests with the Federal Government, the Victorian Government must play its role in:

- supporting and advocating to the Federal Government for the most effective policy levers, including job stimulation and infrastructure renewal, that will minimise the impact of the recession on Victorian households;
- implementing its own package of measures that will ameliorate the impact on Victorians, especially those most vulnerable to social & economic exclusion, and position Victoria to emerge from the recession with improved infrastructure and human capital to take up opportunities as the economy picks up.

The Brotherhood has identified the following priorities for the Victorian Government to achieve the above objectives:

1. *Education*: the implementation of additional measures that will substantially reduce early school leaving and maximise the attainment of students poorly engaged in learning, reduce the costs of participation in education;

2. *Vocational training*: additional fast tracked measures that will maximise both entry into and completion of vocational training aimed at those population groups most at risk of non-participation or non-completion.
3. *Employment*: maximise retention of jobs for all Victorians and stimulate the growth of new jobs in industries and sectors that will be sustainable in the longer term, through cutting costs to employers, accelerating infrastructure projects, and increasing workforce partnership programs. Sectors should include energy efficiency industries and the human services (education, childcare and health services).
4. *Social inclusion & community strengthening*: provide a substantial boost to A Fairer Victoria through extra resources to those successful programs that will ameliorate the increased hardship faced by Victorians over the next few years, increase the coverage of existing local initiatives and projects to address identified barriers to social exclusion in high need areas and support local infrastructure needs.

Long term unemployment is highly associated with poverty and social exclusion. There is an intergenerational cost due to the impact of poverty on families and their children. It is essential that the Victorian Government acts to implement measures targeted to address those groups in the community who are most vulnerable to long term unemployment and social exclusion.

Investment *now* in infrastructure, regional development and human capital building will reduce expenditure on health and welfare services, contribute to the government's social inclusion goals and improve the productivity of the labour force when the pick up in the economy eventuates.

While the Brotherhood acknowledges an inevitable decline in Government revenues, we support the budget going into deficit in the short term if these resources are used to build capacity in the economy, particularly through a more productive and job-ready workforce. Not to do so risks the coexistence of increased long-term unemployment and skills shortages occurring when economic growth strengthens. Victoria cannot afford to have large numbers of job seekers excluded from the workforce with poor skills because the underlying demographic trends will rapidly lead to emerging skill shortages again. In the longer term interest of maintaining a strong and competitive economy, it is important that we maximise the work skills, personal capacities and attachment to the labour market of the predicted pool of the unemployed.

I Impact of the financial crisis and economic down turn on social and economic participation

Although the extent and depth of the emerging downturn in the economy at national or state levels are difficult to predict, we can draw on our experiences from earlier downturns to point to the likely impact of this downturn on our community over the next few years.

Australia is in some respects better placed than the United States, Japan and Europe to weather this latest global crisis due to lower reliance on exports, a healthier banking sector and resilient housing sector. However, business confidence is at record low levels—on a par with the 1990–91 recession, rather than softer downturns such as that in 2001.

Our analysis at this time suggests that, despite Australian Government stimulus packages and the tax cuts last year, the depth of the international downturn, the level of likely job losses and high levels of personal debt will lead to lower consumption by the community. This spiral will lead to rates of unemployment and long-term unemployment closer to those in past recessions.

The most recent Commonwealth package announced in February will have an impact in supporting jobs: estimated at 90,000 over two years. However, the multiplier effects of the range of measures is uncertain. We anticipate that in aggregate the measures so far will have a limited impact on the extent of the downturn.

The following analysis is based on data on unemployment trends from the 1990-91 recession and the more recent 2001 economic slowdown.

There are several key learnings from these two events that we have used to inform likely scenarios for unemployment trends this time:

- Examining the 1990–91 recession, nationally, GDP as the main indicator of the economy bottomed in mid 1991. The peak in unemployment occurred approximately 18 months later (December 1992 at 10.7% nationally). The peak in long-term unemployment (12 months plus) occurred *2 years later* in mid 1993 and at that time amounted to 36.5% of all unemployed (ABS labour force data).
- Poverty levels continued to increase during the mid 1990s, in part because when the economy grew again, most of the jobs were not full-time, but part-time and casual.
- In the 2001 economic downturn, national unemployment increased from 5.9% to 7.1%. The number of long-term unemployed also increased but at the same rate, with LTU remaining relatively stable as a proportion of all unemployed at 22–23%. The underpinning drivers of long-term economic growth were sufficient to prevent the accumulation of a large pool of LTU.

Long-term unemployment correlates very highly with poverty and social exclusion. A strong social inclusion agenda should therefore anticipate the upward trend in LTU and put in place both preventative and ameliorative policies in time to be effective at minimising deep social exclusion.

Job seekers in regions without emerging industries or with lower than average economic growth are at increased risk of long-term welfare dependency and disengagement from building new skills.

Compared to previous downturns, the current financial crisis has already attracted substantial global attention within the media, the general community and governments. This has been a two-edged sword. First, because 60% of our economy is based on internal consumption, the level of public debate has arguably exacerbated the downturn in Australia as business and household behaviours have altered to reduce costs and make savings. Second, the increased awareness of the potential impact of a recession on our economy and well-being (in part reflecting on the earlier trajectories of the USA and UK economies) has supported a stronger policy response from the Rudd Government in respect of stimulation packages.

1.1 National scenario for long-term unemployment (LTU)

The current rate of unemployment is 4.5%, with LTU accounting for about 14% of all unemployed persons (December 2008).

Each cycle of the economy has unique characteristics, and each downturn is influenced by varying factors as exemplified by the current financial crisis. However, the data from recent downturns has been used to estimate the peak level of LTU which is likely to occur about 2 years after the bottom of the economic cycle.

Assuming two quarters of negative or zero growth in 2009, the peak level of LTU is likely to occur in late 2011. The timing is clearly dependent on the extent or depth of the downturn, which in turn is dependent on the effectiveness of both international and Australian responses to the global financial crisis.

On this assumption, the following table provides estimates of increases in LTU numbers based on likely increases in overall unemployment rates nationally. These estimates are based on three ceilings for the unemployment rate (UE) (6%, 7%, 8%) and two rates for the proportion of LTU of all unemployed (25%, 30%).

Table 1: Estimates of increase in LTU numbers (national)

Estimated UE rate, %	UE numbers	Estimated LTU as a proportion of all UE, %	LTU numbers	Increase in LTU at peak
6.0	648,000	25.0	162,000	91,000
6.0	648,000	30.0	194,400	123,400
7.0	756,000	25.0	189,000	118,000
7.0	756,000	30.0	226,800	155,800
8.0	864,000	25.0	216,000	145,000
8.0	864,000	30.0	259,200	188,200

The current level of LTU is 71,000 persons nationally (December 2008). Even with the most optimistic assumption for the impact of the global financial crisis, it is therefore estimated that LTU nationally will more than double from current levels, achieved after a sustained period of economic growth over the past 15 years.

Using a more probable assumption of 8% unemployment rate and subsequent LTU proportion rate of 30%, LTU numbers may almost quadruple to 260,000 persons in mid 2011.

1.2 Scenario for long-term unemployment for Victoria

At the state level, the current unemployment rate is 4.6% (December 2008, seasonally adjusted). There are about 130,000 unemployed persons, with the LTU representing 14% or 17,900 (ABS labour force data).

On the same assumptions used to develop the national increase in LTU numbers, Table 2 provides the equivalent estimates for Victoria.

Table 2: Estimates of increase in LTU numbers (Victoria)

Estimated UE rate, %	UE numbers	Estimated LTU as a proportion of all UE, %	LTU numbers	Increase in LTU at peak
6.0	165,600	25.0	41,400	25,100
6.0	165,600	30.0	49,680	33,380
7.0	193,200	25.0	48,300	32,000
7.0	193,200	30.0	57,960	41,660
8.0	220,800	25.0	55,200	38,900
8.0	220,800	30.0	66,240	49,940

The current level of LTU is 17,900 persons (December 2008). With a more optimistic assumption for impact of the financial crisis, it is therefore estimated that LTU in Victoria will more than double from current levels achieved after a sustained period of economic growth over the past 15 years.

Using a more probable assumption of a peak unemployment rate of 8% and subsequent LTU proportionate rate of 30%, LTU numbers may almost quadruple to 66,000 persons in mid 2011. It should be noted that the unemployment rate peaked in Victoria after the 1990–91 recession at 12.1% in mid 1993.

2 Who will be adversely affected?

Experience from previous economic downturns indicates that particular categories of job seekers are particularly vulnerable to social exclusion and welfare dependency in the period after the trough in the economic cycle. Those with low skills, poor education and little or no work experience are more likely to be left behind. Those without post-school qualifications are significantly less likely to obtain and maintain work than those with vocational or tertiary qualifications.

Historically, there is a strong correlation between English language proficiency and a job seeker's ability to obtain paid work. Migrants from non-English speaking backgrounds experience higher levels of unemployment.

In the period following Australia's last recession, ABS figures show that Aboriginal and Torres Strait Islander people experienced unemployment at 4 times the rate of the rest of the community. This compares with recent unemployment rates of 14%—just over three times that of the non-Indigenous population (2007 ABS data).

More significant was that half of this population was experiencing long-term unemployment in 1994. There is clearly a strong association between Indigenous unemployment rates and the above background factors which reduce their job prospects in local labour markets. However, the lack of job opportunities in remote and rural areas also contributes to the high rates.

The following groups are also more vulnerable to social and economic exclusion:

- mature aged workers (half of the LTU cohort are aged over 35 years), especially those from declining industries or sectors
- young school leavers with poor attainment, low skills and no prior work history
- sole parents with poor education, lack of work experience or past history of family conflict or domestic violence
- single adults with multiple barriers to work, including those with chronic ill health or disabilities.

For example, the unemployment rate for 15–19 year olds not in full-time education doubled in the 1990–91 recession to about 27% and stagnated at that level until mid 1994.

It is likely that particular industries and sectors will be harder hit by this downturn, with long-term or permanent reductions in workforce numbers when the economy picks up. This is likely to have a differential impact on regional and rural communities—especially those with a higher dependence on single industries that do not fare well. It will be important to proactively assess these effects and plan ameliorative measures that stimulate and support growth industries and jobs at a regional and local level.

Analysis of spatial concentrations of unemployment and LTU, combined with assessment of vulnerable industries by region and local area, could be used to target medium-term policies. In a strongly rationed labour market, supply-side factors addressed through active labour market programs and employment assistance services will, however, have only limited effect. Essentially, improving job seeker skills and job readiness will merely change the order of the queue of the pool of unemployed.

What are needed are policy levers that increase employment both in aggregate and within regions. The latter is important to ensure that jobs are accessible where job seekers are living. We expect to see increasing spatial divergence in the levels of unemployment and LTU in the absence of policy initiatives to stimulate migration of job seekers to areas with job opportunities. In the past Australian job seekers have resisted moving house in order to take up a job opportunity. In part this reluctance reflects the low affordability and availability of housing in areas with job prospects (urban centres) and job seeker perceptions about the durability of entry-level or low-paid jobs on offer, as well as particular household circumstances (for example, sole parents with young children).

Policy measures should also take into account the longer run trends in the labour market due to technological change, demographic trends and globalization, which will influence the types of industries and sectors that survive and grow in the next economic upturn. We have already seen significant increases in the sectors that require far higher qualifications and technical skills. Demand for low-skilled labour will continue to decline over the next decade. Only a small proportion of new jobs are taken up by those without post-school qualifications. In this setting, it will be important to focus increased efforts on school retention and participation in vocational and tertiary training to better prepare the workforce for emerging jobs and also improve the productivity of the workforce overall.

3 Rationale for a suite of policy measures that will minimise the increase in social and economic exclusion

Long-term unemployment is highly associated with poverty and social exclusion. The primary cause of poverty and exclusion is joblessness. Yet the experience of unemployment, and notably longer term unemployment, can include social isolation, relationship conflict, poorer health and mental illness, including depression and anxiety.

Severe financial hardship puts increased pressure on families with children, with an adverse impact on their children's development and well-being. Poverty restricts the capacity of parents to purchase children's services and meet basic needs. It also indirectly affects the well-being of children through increased levels of tension and stress within the household.

Lengthy periods of unemployment also result in loss of skills and confidence to be able to take up work opportunities as they become available again. The overall productivity of the working age population is reduced as unemployed people either drop out of the labour market (at least

temporarily), re-engage in futile job search activities, seek support from employment assistance services or subsequently transfer to pensions or disability benefits.

The Australian Government has implemented two packages of measures to boost household consumption in response to the emerging impact of the global financial crisis on our economy. The package late last year focused on a one-off stimulus to spending through \$8.7 billion payments to low income pensioners and families. This month's stimulus also contributes to increase immediate spending but importantly also makes a substantial investment in job retention through infrastructure spending in critical areas of education and social housing.

While these packages will have some effect in ameliorating the extent of the downturn depending on their multiplier effects, a further package of measures is required to further stimulate economic activity as private industry contracts under the impact of the financial crisis.

The Brotherhood's scenario with a moderate expectation for a peak in unemployment of 8% and LTU to peak at 30% of total unemployment shows the urgency of developing a more comprehensive suite of measures. These must include further job creation and stimulation strategies through capital outlays to strengthen and modernise our infrastructure, including transport and health.

Equally important, substantial increases in recurrent expenditure in the human service sectors (education support, children and families, youth, disability and aged care) are also needed. This approach will lift the quality and effectiveness of basic public services up to international best practice, but will also stimulate jobs in a labour-intensive sectors with stronger multiplier effects for the economy.

It is essential that additional measures are targeted to those groups who are most vulnerable to long-term unemployment and social exclusion. Investment *now* in infrastructure, regional development and human capital building will reduce demand on health and welfare services, contribute to the government's social inclusion goals and improve labour force productivity in the longer term.

Even with the more optimistic estimates of the impact of the downturn detailed above, the impact on households and communities will be substantial, with LTU levels not seen since the year 2000. It is likely to take the best part of a decade of solid economic growth to recover the lost ground in terms of economic participation.

While the costs of some critical household budget items, including petrol and mortgage payments, have fallen over the past year, and the Australian Government has increased incomes to many households on low incomes, there are already signs of increasing financial hardship through reported higher demand at community services (as reported by Anglicare and ACOSS). As the loss of jobs accelerates this year, the high level of housing stress on new home purchasers and private renters will lead to higher levels of housing crisis and loss of homes. A stable and affordable home is critical to both social and economic participation. Prevention of job losses and reduced working hours for low-income households should be the priority to prevent housing loss. However, effective measures to assist households in crisis to retain their housing are required.

From the Brotherhood's perspective, there is thus a strong imperative for an additional suite of preventative and ameliorative measures that will:

- minimise the increase in the pool of unemployed persons over the next 2 years, and hence the flow into long-term unemployment, through
 - job retention strategies
 - employment growth and job creation initiatives
- address regional and rural levels of unemployment through targeted demand side measures (jobs growth and accessibility)
- strengthen the capacities of job seekers through skills building, education, training and work experience to enable take-up of emerging job opportunities
- minimise progression into social exclusion by vulnerable and disadvantaged households through
 - increases to Newstart and Youth Allowance payments
 - housing crisis assistance
 - financial counselling, asset-building and support services
 - child-care support.

4 Policy measures for an effective Victorian response to the recession

While the prime responsibility for funding and implementing measures that will minimise job losses and stimulate job creation rest with the federal government, the Victorian Government must play its role in:

- supporting and advocating to the federal government for the most effective policy levers that will minimise the impact of the recession on Victorian households
- implementing its own package of measures that will ameliorate the impact on Victorians, especially those most vulnerable to social & economic exclusion, and position Victoria to emerge from the recession with improved infrastructure and human capital to take up opportunities as the economy recovers.

The Brotherhood has identified the following priorities for the Victorian Government to achieve the above objectives:

4.1 Education

The pathway from education to paid work for school leavers, especially those who have attained Year 11 or below, will be more difficult in the coming years. Work experience, as a key element in the transition from school to work, will be hard to obtain for many young people.

Recent evidence from both the Productivity Commission and the Auditor-General supports the Brotherhood's position that much more effort is required to address the long tail of educational disadvantage in Victoria. The economic downturn increases the imperative to implement additional measures that will reduce early school leaving and maximise the attainment of students poorly engaged in learning.

The increased levels of financial hardship and stress on families will adversely affect the participation of children in education. The Brotherhood's recent research has shown the effects of financial hardship on student learning prior to the emerging downturn. Measures that reduce the costs of learning for low income families are needed.

Recommendations:

- a. increase school budgets to enable all enrolled students eligible for EMA (Education Maintenance Allowance) to participate in excursions, camps, sporting activities, swimming, activity days and school speakers/artists
- b. increase the EMA to cover the basic costs of school books, materials and other learning requisites
- c. introduce free public transport for schoolchildren whose parents are reliant on government income support
- d. provide support for flexible, alternative learning and support programs targeting primary and secondary students at risk of poor attainment, by:
 - increasing funding for Community VCAL and provision of VET in schools
 - recurrent funding for community provided Learning Support Programs
 - implementing and resourcing a Student Development Service to consolidate and strengthen the array of programs to support children vulnerable to early school leaving and social exclusion
 - resourcing the development of parental support programs (such as PACTS) that strengthen their capacity to support their children's learning and transitions
 - fast track the implementation of individual learning and support plans
 - increase the capacity of specialist support services in schools to assist teachers with students who have learning or behavioural difficulties.

4.2 Vocational training

The Brotherhood recognises the Victorian Government's substantial reform package to strengthen the training system last year (Securing Jobs for Your Future 2008). This will have a long-term benefit through enhancing the vocational training sector and strengthening its responsiveness to employer needs.

However, the emerging recession requires additional fast-tracked measures that will maximise both entry into and completion of vocational training by those population groups most at risk of non-participation. These include young people with low-level capabilities, sole parents with redundant vocational skills and mature-aged workers who have been retrenched.

Recommendations:

- a. introduce exemptions of tuition fees for students enrolling in all levels of courses, subject to eligibility criteria based on parental circumstances (reliant on government income support)
- b. implement additional financial assistance for materials and other costs to ensure that financial hardship is not a barrier to training
- c. develop measures to minimise the drop-out of apprentices and trainees, in collaboration with the federal government.

4.3 Employment

The Brotherhood urges the Victorian Government to fund in the next budget measures that will maximise retention of jobs for all Victorians and stimulate the growth of new jobs in industries and sectors that will be sustainable.

While many of the primary policy levers, and funding responsibility for employment growth, rest with the Commonwealth, it is incumbent on the Victorian Government to advocate strongly for effective measures to support job retention and jobs growth, particularly among groups and regions vulnerable to social and economic exclusion. The benefits will be significant in building infrastructure and human capital that directly contribute to overall productivity in the longer term.

The two packages announced by the Commonwealth are a substantial first step. However, more will need to be done to extend the coverage of infrastructure projects in health, transport and family and children's services. Increased recurrent budget outlays across the range of human services are also needed to deliver significant jobs growth in labour-intensive services, with strong multiplier effects for the economy.

The Commonwealth Government's commitment to fund substantial infrastructure projects should incorporate conditions on contracts, through social procurement measures, that will maximise the recruitment of long-term unemployed and disadvantaged job seekers. The Victorian Government should also implement social procurement measures to support the development of community enterprises building on successful models.

We also suggest that place-based initiatives through, for example, the Commonwealth Government's Innovation Fund (as part of the new Universal Employment Services system) should be supported in order to address local community needs that build work experience and job pathways—especially in areas of high disadvantage. A modest investment by the Victorian Government could be used to leverage substantial additional investment from the Commonwealth to support local innovation projects. To this end the Brotherhood is currently developing a proposal aimed at leveraging much greater expenditure from the Commonwealth's Universal Employment services on unemployed people residing on Victoria's public housing estates.

A number of policy measures should be considered by the government as a matter of urgency.

Recommendations:

- a. implement measures to reduce the business costs for employers, targeted to support job creation. These measures could include Work Cover subsidies for employers who take on full-time low-skilled workers for at least one year.
- b. accelerate planned and additional infrastructure projects, including:
 - supply of social and affordable housing
 - energy efficiency projects, consistent with the Energy Efficient Homes package endorsed by COAG, with a focus for Victoria on home energy advice programs aimed at disadvantaged households, as well as audit and upgrade of public housing
 - other climate change projects, such as support for solar power installation and water conservation measures
 - upgrading of health, education and training facilities
- c. boost recurrent expenditure in children's services, family support, disability and aged care services to increase the quality and effectiveness of these critical human services and stimulate job growth

- d. expand the range of workforce participation programs to increase the sustainable employment of disadvantaged job seekers, with additional investment targeted to address the increasing geographical concentration of disadvantage due to long-term unemployment. This requires identification of areas and communities most at risk, followed by targeted strategies to support meaningful work and eliminate barriers to participation. Programs that should be considered include:
 - New Workforce Partnerships, Youth Employment Scheme and Returning to Earning programs
- e. support community enterprises, since these offer a proven model for transitional employment pathways for disadvantaged job seekers, especially in communities experiencing high levels of social and economic exclusion. Increase support for the development and sustainability of community enterprises through:
 - social procurement policies applicable to new infrastructure projects and contracting of services by state and local governments that will quarantine a percentage of budgets to support community enterprises and/or commit contractors to employ a percentage of disadvantaged job seekers. This might be achieved through arrangements with local employment assistance providers.
 - additional resources for the development and start-up of new enterprises in identified areas of disadvantage (extension of Neighbourhood and Community Renewal sites).
- f. increase capacity within Community Mental Health Centres to support unemployed people with mental health problems. A better integrated approach for this group will support their recovery, increase their employment outcomes and thereby reduce reliance on health and welfare services in the longer term. It should involve:
 - increasing funding to Community Mental Health Centres that implement formal arrangements with local Universal Employment Service (UES) providers to provide accessible and better integrated mental health and vocational support
 - leverage Commonwealth funds through a set financial contribution per individual from UES providers through the Employment Pathways Fund
 - training Community Mental Health Centre staff about the importance of employment in aiding mental health recovery and to stimulate collaboration with UES providers.

4.4 Children's and family services

One of the more insidious effects of a recession is its impact on families and children. Research (for example by Shonkoff and Phillips) has demonstrated that the stress of parental unemployment is passed onto and absorbed by children, creating an environment less conducive to healthy childhood development.

Research has also established that family violence increases in households experiencing economic strain: couples in which the male has experienced two or more periods of unemployment have notably higher rates of violence against women than couples in which the male has more stable employment, and this is particularly marked in already disadvantaged neighbourhoods. The highly detrimental impact of family violence on children as well as adults is well established, as is the co-occurrence of family violence and child abuse.

Reduced family income levels entail fewer economic resources to purchase children's services, fund peer activities and take advantage of educational and development opportunities. Reduced family income and unemployment place increased pressure on existing child-care services. In the US, forced closure of child-care centres has already occurred as a result of the economic downturn, with reduced parental ability to pay for child-care fees.

Parents need job security that ensures they are able to return to work a reasonable period after having a baby: this is particularly the case for women in low to middle income jobs. Furthermore, given the financial strain the economic downturn places on some families and children, the proposed government-funded maternity/parental leave scheme is even more crucial to ensure adequate income for parents and children during a critical life phase.

Recommendations:

- a. collaborate with the Commonwealth Government to retain existing child-care arrangements, through the provision of free high quality child-care, for newly unemployed job seekers who are parents (or the primary care-giver), particularly those who are single parents.
This would support parents with care responsibilities in their job seeking efforts and overall well-being; ensure their child-care places are retained; ensure the stability and continuity of a child's existing care arrangements; and support existing high-quality child-care providers.
- b. advocate to the Commonwealth Government to ensure flexibility and the recognition of caring and voluntary work for single parents on benefits.
Rigid Centrelink requirements for unemployed single parents with children of school age can compromise their ability to care for their children and participate more broadly in community life (that is, compromise their and their family's overall social inclusion). For example, emerging research finds that the requirement of the minimum fifteen hours a week work can be counter-productive. A single mother with ten hours a week of work, which is during school hours, and which allows her to do voluntary work (e.g. at her child's tuck-shop), along with other caring work (household work, including cooking healthy meals), is currently required to relinquish this in favour of a 15-hour job that is not inside school hours, does not allow for participation in voluntary activities, and compromises existing care arrangements. Greater flexibility is needed, which recognises caring activities, and gives formal credit for voluntary work.
- c. address the shortage of highly skilled child-care workers through 'sabbatical' arrangements.
The economic downturn presents an opportunity for people experiencing unemployment to re-train and increase skills and qualifications through a formal 'sabbatical' arrangement, particularly in sectors with current workforce shortages. Currently, the shortage of qualified, adequately remunerated and committed workers fundamentally weakens the overall child-care infrastructure of Australia. Investing in developing a skilled, quality child-care workforce now means that increased demand for child-care when the downturn ends is able to be met.
- d. increase investment in community-based not-for-profit child-care services.
Research finds that community based child-care services provide the highest quality care for children. The failure of corporate child-care providers should be seen as an opportunity to invest in and expand community-based, not-for-profit child-care across Australia.

- e. boost funding for family and children's services.
Children's and family services will see an increase in demand at this time, as outlined above. Relevant services include family relationship counselling, domestic violence services, sexual assault services, child sexual abuse counselling services, child protection services, drug and alcohol services, and mental health services. Demand for these services will need to be monitored and funding increased accordingly.
- f. advocate to the Commonwealth Government to fully implement the proposed government-funded maternity/parental leave scheme without delay.

4.5 Social inclusion and community strengthening

The impact of the economic downturn will be felt hardest in those communities and areas lacking infrastructure, having limited basic services and with poor prospects for new investment that will lead to sustainable jobs. A Fairer Victoria has been an effective approach for strengthening communities and addressing social exclusion across Victoria.

In addition to the above measures, we urge consideration of a substantial boost to AFV through extra resources to enhance and extend those successful programs that will mitigate the increased hardship faced by Victorians over the next few years and address local infrastructure needs.

Currently welfare agencies are reporting significant growth in demand from households experiencing financial crisis or hardship. Additional funds should be made available to assist those in crisis.

Support should also be provided to assist households to prepare and deal with a change in circumstances, so that those at risk of unemployment are equipped to deal with reduced income levels. Financial inclusion programs, which focus on asset building and developing savings habits, can contribute to ensuring people have a financial buffer should they experience a crisis such as unemployment.

It is critical that governments minimise the loss of housing of all households, but especially families with children, over the next two to three years. The Commonwealth Government's White Paper (The Road Home) has committed to significant investment (\$1.2 billion over four years) to both prevent homelessness and more effectively respond to the needs of those experiencing homelessness. The substantial boost to public housing announced in the latest stimulus package will also alleviate housing stress. However, the Brotherhood urges expanding on these reforms with additional measures aimed at families and youth in order to prevent inter-generational social exclusion.

Recommendations:

- a. broaden the eligibility for and increase the levels of concessions and rebates to reduce financial stress on low-income households
- b. ensure effective support to assist in the recovery of families from financial hardship
- c. continue funding support for proven asset-building, savings and microfinance programs, that can assist households at risk of financial hardship better deal with a change in circumstances such as unemployment
- d. ensure that Neighbourhood and Community Renewal programs are resourced to include emerging areas with high rates of long-term unemployment or joblessness and deliver effective interventions to address disadvantage

- e. fast track and expand social housing and homelessness prevention programs in collaboration with the Commonwealth, especially aimed at families and youth, including:
- the redevelopment of public housing infrastructure, including development of community hubs
 - further expansion of the HOME program to ensure coverage across areas with high concentrations of vulnerable families
 - in collaboration with banks and other mortgage providers, develop targeted one-off mortgage assistance to assist eligible families facing job loss
 - establish foyers for young people in areas of high need to stabilise housing and enable integrated packages of support and training to be provided near to vocational training providers.