



everyone's family

Inquiry into intergenerational welfare dependence

Submission to the Select Committee on Intergenerational Welfare Dependence

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Overview of The Smith Family

The Smith Family is a national charity founded in 1922 to improve the lives of disadvantaged children and young people in Australia. Almost a century on from its founding, it is now the nation's largest children's education charity.

Our vision is a better future for young Australians in need. Our mission is to create opportunities for young Australians in need by providing long-term support for their participation in education. This mission is founded on the belief that every child deserves a chance.

Our mission guides every element of our work, including program development and delivery, research, advocacy and fundraising. The Smith Family delivers programs in each state and territory in Australia, in over 90 communities, including many regional and rural communities.

In 2016-17, The Smith Family supported more than 150,000 children, young people, parents, carers and community professionals through its programs. Over 120,000 children and young people participated in programs run by The Smith Family. We are supporting 42,000 children and young people on our largest program, the *Learning for Life* educational scholarships.

In 2016-17, The Smith Family's total income was approximately \$100 million. Around 70 per cent of this funding comes from private donations from individual supporters, corporate partners, universities, trusts and foundations, and bequests. There are over 230 partnerships helping to sustain our programs. Only a quarter of The Smith Family's income is sourced from different levels of government.

As part of our leadership and collaborative work in the sector, The Smith Family is a member of a number of organisations and represented on a number of advisory groups and boards. This includes being a member of the Community Council for Australia (CCA), with our Chief Executive Officer, Dr Lisa O'Brien, sitting on their board.

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1. Introduction

The Smith Family welcomes the Inquiry into Intergenerational Welfare Dependence (the Inquiry). Our hope is that the Inquiry will help stimulate an informed national discussion on the role of welfare in Australian communities.

Australia's welfare system has proven remarkably resilient from its initial inception over a century ago.¹ Over the ensuing 110 years, it has matured into a sophisticated and targeted support system for vulnerable and disadvantaged citizens. The durability and effectiveness of Australia's welfare system is a significant, non-partisan national accomplishment.

The Smith Family welcomes the Committee's focus on examining intergenerational welfare dependence – defined as the effect of welfare payments over generations, with a focus on people raising children.² The Inquiry is indeed timely. Australia has not yet found the right combination of economic and social policies to make substantial inroads into persistent poverty and disadvantage. The Productivity Commission recently found that over the past 27 years, as Australia enjoyed one of its wealthiest periods ever, inequality rose slightly and relative income poverty became entrenched.³ Approximately 1.1 million children and young people live in poverty.⁴ There are thousands of Australian households struggling over multiple generations to break free of poverty and disadvantage. Without a concerted effort to deploy evidence-based solutions, those with higher dependence on welfare risk falling even further behind the rest of Australia.

The community expects governments to focus on tackling the major social and economic challenges bedeviling the country. Attitudes research recently published by the Committee for the Economic Development of Australia revealed 79 per cent of respondents thought the gap between richest and poorest Australians was not acceptable.⁵

The Smith Family also welcomes the Inquiry as an excellent opportunity to better understand why some people are more dependent on welfare than others. Regrettably, our national welfare debate too often stereotypes people relying on welfare as being either too apathetic to work or fraudulently claiming benefits. The reality in communities around the country is far from this portrayal. In The Smith Family's experience, we interact daily with people experiencing prolonged disadvantage who work incredibly hard to break their reliance on welfare. They have high aspirations for their families, and particularly understand and value the importance of education to create better lives for their children. Because their social, economic and human capital tends to be very limited, they and their families require more intense, longer-term support via welfare

¹ Herscovitch, A. & Stanton, D., 'History of Social Security in Australia', *Family Matters*, 2008 No 80, p 51.

² House of Representatives Select Committee on Intergenerational Welfare Dependence, *Discussion Paper*, paragraph 2.5, p 4.

³ Productivity Commission, *Rising Inequality? A stocktake of the evidence*, August 2018, p 4-5; Hutchens, G, 'Number of Australians living below poverty line has not declined since 1980s', *The Guardian*, Tuesday 28 August 2018.

⁴ Australian Council of Social Services & Social Policy Research Centre, *Poverty in Australia*, 2016.

⁵ Committee for the Economic Development of Australia, *Community Pulse 2018: the economic disconnect*, p 6.

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payments and programs. They also tend to require services from Commonwealth, state and territory jurisdictions as well as the non-government, not-for-profit and for-profit sectors due to complex and compounding need. However, relevant services remain segmented across the Federation and funded by different departments at different levels of government. The support system is not well co-ordinated, and fails to put the client at the centre of it. This results in ineffective and inefficient service delivery.

The Inquiry is a mechanism to better understand the cycle of disadvantage, as well as to identify ways to use our welfare system to tackle it more robustly. In addition to the Terms of Reference, the Committee's Discussion Paper sets out a range of additional issues to examine, including but not limited to the following:

- the primary influences on children that may affect their longer-term labour-force participation;⁶
- the importance of all social networks, including extended families, paid and unpaid carers, professional educators and any other adults who may play the important role of 'first teachers';⁷
- views on combatting structural disadvantages that promote intergenerational welfare dependence such as access to health and education. This is in addition to solutions proposed under the 'behavioural approach' to welfare dependence;⁸
- ways to target assistance to improve skill sets needed for long-term employability for individuals with welfare dependence;⁹ and
- ways to support employers to recruit people who are currently disadvantaged in the labour market.¹⁰

In its response, The Smith Family makes the following main points in its submission:

- families who may have a larger reliance on welfare still have high aspirations to create a better life for themselves, and particularly for their children, and actively look for ways to improve their personal situation.
- the cycle of intergenerational disadvantage can have significant impact on the educational outcomes of children, and subsequently their ability to find suitable employment and create a decent quality of life for themselves.
- the best way to help children and young people trapped in intergenerational disadvantage is to provide access to quality education, including additional supports to tackle developmental challenges. This includes access to post-school pathways into further work, training or study.
- there are evidence-based programs designed to improve the financial capacity and security of families that already have a track record of success, and improve the long-term financial knowledge and resilience of participants.

⁶ House of Representatives Select Committee on Intergenerational Welfare Dependence, *Discussion Paper*, paragraph 2.33, p 10.

⁷ As cited above, paragraph 2.34, p 10.

⁸ As cited above, paragraphs 3.3 & 3.11-3.13, p 11 & 13.

⁹ As cited above, paragraph 3.16, p 14.

¹⁰ As cited above, paragraph 3.18, p 14.

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- examining effective approaches to breaking intergenerational welfare dependence requires not just thinking about the welfare payments system, but also the other social policy levers that can be utilised concurrently, including how to design and deliver services in tandem with the payment system.
- to make bigger inroads into reducing intergenerational welfare dependence, Australia requires a clearer set of national goals on poverty reduction and inequality.

We explore these points in more detail below.

2. People on welfare have high aspirations

This Inquiry is an important opportunity to create a more complete picture of families and individuals who have a higher reliance on welfare. The Smith Family works daily with low-income and disadvantaged families who have a degree of reliance on welfare. Our experience, formed over decades of community work, is that these families aspire to create a better life for themselves but at times struggle to do so because of a range of mitigating family, economic or social circumstances. Many families are faced with multiple, complex and compounding challenges that make daily life an ordeal. Some have suffered unforeseen, tragic personal events, such as major health problems, and are dealing with the consequences. Some have a high number of dependents to care for, which makes it difficult to work or study. Most families live in areas where there are limited economic opportunities and high levels of unemployment and underemployment.

The Household, Income and Labour Dynamics in Australia (HILDA) data shows a range of factors that influence a person's likelihood of exiting poverty, as well as the risk of their re-entry.¹¹ For example, those with low levels of education (Year 11 and below) are less likely to exit poverty and are at greater risk of falling back into poverty if they do exit. Long-term unemployed people have longer episodes of poverty and are also more likely to re-enter poverty if they do exit. Being in a household where no member of working age is working or a household where at least one member has a disability or long-term health condition, significantly reduces the likelihood of exiting poverty and increases the risk of falling back into poverty after an exit.

By way of further example, the students receiving support in our main program, *Learning for Life*, face the following challenges:¹²

- all of them live in low-income families;
- more than half live in a single-parent family, with 6 per cent living with another relative or in foster care;
- four in five children live in families with a health or disability issue;
- 60 per cent have a parent/carers who did not finish Year 12;
- more than 70 per cent have a parent/carers who is not in the labour force;

¹¹ Committee for the Economic Development of Australia, *Addressing entrenched disadvantage in Australia*, April 2015, p 42-43.

¹² The Smith Family, *Annual Report 2016-17: Making A Lasting Impact*, p 5.

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- one in five students in Years 5 to 12 have attended four or more schools; and
- three in 10 students do not have a computer or tablet that is connected to the internet.

Despite this hardship, the families we support demonstrate great resilience and resourcefulness to weather difficult and stressful times, especially in the face of constant pressing social and economic challenges. They use welfare as a way to ensure a bare minimum standard of living, as they actively seek to improve their situation. They do not wish to depend on welfare indefinitely and are eager to work and become self-reliant.¹³ They particularly want a brighter future for their children, and are the 'first teachers' in instilling in their children the importance of education as the enabler of that future. These positive attitudes are replicated in families experiencing disadvantage across the country.

One major contribution that the Committee could make through its work is to help reframe the discussion of welfare dependency, acknowledging the strengths of people relying on welfare, the challenges they regularly face, as well as identifying how better to help them. This involves not only hearing from sector stakeholders but also directly from disadvantaged and vulnerable Australians relying on welfare.

Reproduced below is a sample of typical scenarios experienced by the families we support.

The stress caused by health problems: "I am fighting breast cancer so I haven't worked for about a year. My husband's the only one who works, and with four kids and rent each week, money has been tight", Connie.¹⁴

Single parenthood: "When I was growing up, mum was a single parent with two kids and we just didn't have enough money to get through day to day. I had to borrow a uniform from the school and return it at the end of the year, which left me to be bullied. Everyone would pick on you because you didn't have anything", Zachary.¹⁵

Newly arrived migrants: "My family came from Burundi in the time of civil war and I was born in a Tanzanian refugee camp. Schooling in my country was hard and expensive. It was rare to find a person who had completed high school. We arrived in Australia when I was six. I had to learn a new language and adapt into a completely new environment, My father worked ridiculous hours in a factory so he could pay the bills, but the money was not enough for a family of eight", Edwije.¹⁶

Aspirations and the importance of education: "My parents have always been very supportive of my education. They came from war-torn countries, which meant

¹³ Report of the Reference Group on Welfare Reform to the Minister for Social Services, *A New System for Better Employment and Social Outcomes: Final Report*, February 2015, p 76.

¹⁴ The Smith Family, *Annual Report 2016-17: Making A Lasting Impact*, p 34.

¹⁵ The Smith Family, *Annual Report 2016-17: Making A Lasting Impact*, p 32.

¹⁶ The Smith Family, *Annual Report 2016-17: Making A Lasting Impact*, p 40.

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they had no chance to study; they just had to survive. Because of that, they are always encouraging me to do good things and finish my education. They are very hardworking people and that's inspired me", Henok.¹⁷

3. Impact of intergenerational unemployment on children

From our perspective, the most significant impact of intergenerational unemployment and welfare dependency on children is the long-term affect on their educational engagement and outcomes, and in turn their ability to find work, and break the welfare cycle. Australian children from low socioeconomic backgrounds are at risk of poor educational outcomes from their first year of school. This risk increases as students move through school as highlighted by the data below:¹⁸

- **Early school years:** A third of students (32.6 per cent) from Australia's most disadvantaged areas are developmentally vulnerable in one or more key areas in their first year of school. This compares to 15.5 per cent of children from the least disadvantaged areas.¹⁹
- **High school years:** Around three in five Year 5 students (59.6 per cent) whose parents did not complete Year 12 achieve above the national minimum reading standard on NAPLAN compared to 94.0 per cent of students who have a parent with a university degree. There is a similar gap in other areas of performance, for example, in Year 9 numeracy.²⁰
- **Post-school years:** Six out of 10 students from the lowest socioeconomic backgrounds complete Year 12 or equivalent, compared to around nine in 10 of those from the highest socioeconomic backgrounds.²¹

Even the brightest, most capable students from disadvantaged backgrounds can find progressing at school an enormous challenge. When students from disadvantaged backgrounds have the same capabilities as those from advantaged backgrounds, they do not make the same progress as they move through school. Of students with a strong Year 3 NAPLAN result, those from disadvantaged backgrounds will make one and three quarter years less progress than their advantaged peers by the time they reach Year 9.²²

Families relying on welfare tend to have limited social capital, often feel marginalised from their local community which further restricts young people's ability to choose suitable training, study or

¹⁷ The Smith Family, *Annual Report 2016-17: Making A Lasting Impact*, p 33.

¹⁸ Also reproduced in The Smith Family, *Attendance Lifts Achievement. Building the evidence base to improve student outcomes*, March 2018, p 2.

¹⁹ Federal Department of Education and Training, *Australian Early Development Census National Report 2015: A snapshot of early childhood development in Australia*, p 33.

²⁰ Australian Curriculum, Assessment and Reporting Authority (ACARA), *NAPLAN Achievement in Reading, Writing, Language Conventions and Numeracy: National Report for 2017*.

²¹ Lamb, S., Jackson, J., Walstab, A. & Huo, S., *Educational opportunity in Australia in 2015: Who succeeds and who misses out. No 02/2017*, Centre for International Research on Education Systems, Victoria University, for the Mitchell Institute, 2015, p 6.

²² Goss, P., Sonnemann J., Chisholm C. & Nelson, L., *Widening gaps: What NAPLAN tells us about student progress*, Grattan Institute, Melbourne, p 27.

work after school. New research suggests that young people growing up in poverty, especially those in disadvantaged and low-income areas, have restricted access to activities outside school that help post-school transitions and are disconnected from neighbouring employment and economic hubs.²³ This means it is much more difficult for these young people to build knowledge and skills of post-school options and develop suitable career aspirations.

Poor educational outcomes affect young people's post-school opportunities and life outcomes, including their employment prospects, health and social connectedness. This results in significant costs to the young people themselves and to the wider Australian community. It has been conservatively estimated for example, that the lifetime costs to Governments and the community for each young person who does not complete Year 12 or equivalent by age 19 is close to one million dollars,²⁴ yet each year, large numbers of young Australians from disadvantaged backgrounds are not completing Year 12.

The following infographic demonstrates how disadvantage can impact a young person's life over time, and how it can be perpetuated across multiple generations.²⁵

THE CYCLE OF DISADVANTAGE

1. LOW-INCOME FAMILIES

Challenges include sickness, disability, unemployment, difficulty affording basic living costs, inability to provide resources for their child's education, limited access to digital technology and skills, and a lack of knowledge or confidence about how best to support their child's educational development.

2. POORER EDUCATIONAL OUTCOMES FOR CHILDREN

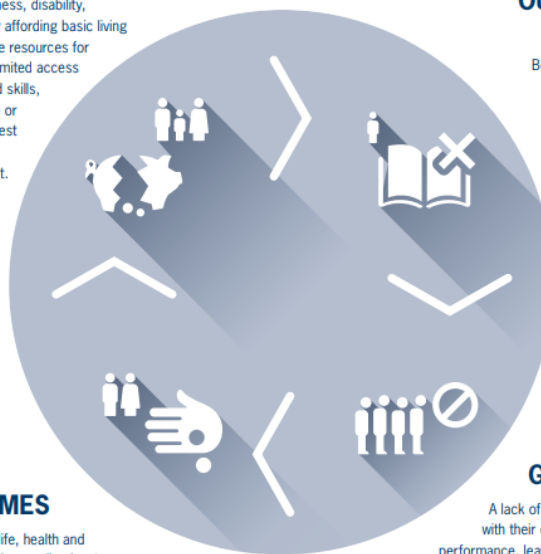
Behind in essential skills when they start school, without the items they need to fit in, limited access to resources to support learning development, falling behind at school and difficulty catching up, limited or no access to positive role models to guide study/career paths.

4. POORER OVERALL LIFE OUTCOMES

Inability to get ahead in life, health and wellbeing affected, passing on disadvantage to the next generation.

3. DIFFICULTY GETTING A JOB

A lack of engagement and motivation with their education, lower educational performance, leaving school early with few or no qualifications, fewer job opportunities, limited connections to community networks and services.



²³ Skattebol, J. & Redmond, G., 'Troubled kids? Locational disadvantage, opportunity structures and social exclusion', *Children's Geographies*, 25 June 2018, p 6-7.

²⁴ Lamb, S. & Huo, S., *Counting the costs of lost opportunity in Australian education*, Mitchell Institute, 2017, p 3.

²⁵ The Smith Family, *Annual Report 2016-17: Making A Lasting Impact*, p 6.

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4. Breaking cycles of disadvantage

The clearest pathway to breaking cycles of intergenerational disadvantage is to support children and young people to develop the knowledge, skills, attitudes and behaviours that set them up for participating in the complex employment market of the 21st century.

The Committee is interested in understanding the primary influences on children that may affect their later labour force engagement. From the perspective of The Smith Family, education is the key enabler of economic and social participation in the community. Helping children and young people suffering poverty and disadvantage get the most out of their schooling requires providing sustained, targeted support from the early years through to high-school and beyond.

In supporting disadvantaged young people to access quality education, the aim is to achieve the following outcomes:

- improved rates of school attendance;
- improved rates of Year 12 completion; and
- better post-school transitions into further study, training or work.

Each of these issues is discussed below.

Improving school attendance and Year 12 completion

There is now strong evidence demonstrating a link between school attendance and achievement and, in turn, Year 12 completion. Relative disadvantage is associated with poorer school attendance from the beginning of formal schooling. Students in schools with lower socioeconomic index, Aboriginal and Torres Strait Island students, students who are highly mobile and those whose parents have lower levels of education and occupational status, all have lower levels of attendance on average.²⁶

Strong school attendance throughout childhood and adolescence is a key to ensuring young people achieve at school and in turn complete Year 12 and transition to further employment, education or training. Research by Nobel Economist James Heckman has demonstrated that efforts aimed at improving the educational outcomes of disadvantaged young people are most cost-effective when they involve balanced long-term support across a young person's life. The impact is demonstrated in the following table. Of particular relevance to the inquiry is the impact on reducing welfare reliance.

²⁶ Hancock K., Shepherd, C., Lawrence, D. & Zubrick S., *Student attendance and educational outcomes: every day counts*, Report for the Federal Department of Education and Workplace Relations, 2013, p iv.

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Table 1: Impact of different investment strategies with disadvantaged children and young people²⁷

	High school graduation rates (%)	University enrolment (%)	Use of welfare (%)	Criminal conviction (%)
No intervention (Baseline)	41	4	18	23
Early childhood intervention only	66	13	9	17
Adolescent intervention only	64	12	10	18
Balanced intervention across full life cycle of a child	91	38	3	11

The not-for-profit sector has been tackling these types of issues through targeted programs for decades. The Smith Family's *Learning for Life* scholarship program, for instance, supports 42,000 children from financially disadvantaged backgrounds to achieve educationally. It is indicative of an evidence-based, preventative approach to breaking the cycle of disadvantage and welfare along the lines proposed by Heckman. The key underpinnings of the program are:

- **An early intervention and long-term approach.** Students can begin on the program in their first year of school and continue through primary and high school to the completion of tertiary education.
- **Supporting parents to be engaged** in their child's learning. Research shows the importance of parental engagement and the home learning environment for educational outcomes, particularly for children from disadvantaged backgrounds.²⁸
- **High expectations** for all students regardless of their family background.
- **Reciprocity and accountability.** Families enter into a Partnership Agreement with The Smith Family. *Learning for Life* is a scholarship and not a welfare payment, and the Agreement articulates a shared commitment to the student's participation in education including compliance requirements on both parties. This ensures the relationship between The Smith Family and the family is one of mutual respect and responsibility, and is driven by an intention to achieve agreed educational outcomes.

²⁷ Cunha, F. & Heckman, J., 'The technology of skill formation', *American Economic Review, American Economic Association*, Vol. 97, No. 2, 2007, p 44.

²⁸ Fox, S. & Olsen, A. for the ACT Department of Education and Training, *Defining parental engagement*, November 2014.

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- A **'beyond school' approach**. The program complements, but is in addition to, what happens at school, reflecting the important non-school factors which influence educational outcomes.²⁹
- **Multiple partnerships** with families, schools, communities, business, governments, sponsors and philanthropy, recognising that improving educational outcomes is a shared responsibility requiring diverse resources and collective effort.
- **Strong outcomes focus**. Educational outcomes for each student on the program are tracked over time.

The *Learning for Life* program has three integrated components that provide financial, relational and programmatic support, as illustrated below.



The long-term nature of *Learning for Life* and the regular collection of data from students in the program helps The Smith Family to identify those most at risk of not completing school, and provides an opportunity to intervene more intensively with those students to support them to complete Year 12. The Smith Family's Advancement Rate is a longitudinal measure of school completion – it tracks the progress of individual Year 10 students on the *Learning for Life* program who complete Year 12 or equivalent while on scholarship. The current Advancement Rate is 69.2 per cent, or close to seven in 10 students.

As part of *Learning for Life*, The Smith Family has a range of shorter programs that target particular aspects of a child's disadvantage (e.g. literacy skills, confidence levels) or that of their parent or carer (e.g. digital or financial literacy). Examples include:

- *Student2Student* is an early intervention peer reading program which has been operating since the late 1990s. Over 90 per cent of students increase their reading age over the course of the program, with the similar results across population groups, including Aboriginal and Torres Strait Islanders and those from non-English speaking backgrounds.
- *Digital Access* provides low-income families with home access to a computer and the internet as well as computer skills training for parents.

²⁹ Hattie, J., *Visible learning: A synthesis of over 800 meta-analyses relating to achievement*, 2009.

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These types of initiatives focus on supporting children and young people to achieve educational and employment outcomes. They are cost-effective, drawing as they do on a range of cross-sectoral resources and skills. They are already delivered at scale using the national footprint of The Smith Family. Initiatives such as these could be relatively easily expanded to support more children and young people through increased investment, including from governments. As such they have the potential to significantly contribute to reducing inequality and disadvantage in Australia.

Improving post-school transitions

The Committee is interested in how to improve the skill sets and employability of individuals who experience intergenerational welfare dependence, as well as identify ways to encourage employers to recruit people from disadvantaged backgrounds.³⁰ For these young people, the transition from school to further study, training or work is a crucial milestone in their longer-term employability. The young people we work with are at the greatest risk of being trapped in cycles of poverty and disadvantage, and their future wellbeing is heavily influenced by whether or not they are able to find decent, sustainable work. Providing these young people with valuable and viable work pathways is crucial given the changing and increasingly insecure nature of work.

Unless they can break the cycle of disadvantage, their ability to earn a living wage, and accumulate some personal wealth for the future, is severely hampered. Year 12 completion is now a prerequisite yet there is a big gap in rates of completion based on socioeconomic background. This contributes to poor post-school outcomes, with 41 per cent of 24 year olds from the most disadvantaged backgrounds not fully engaged in work or study, compared to 17 per cent of those from the most advantaged backgrounds.³¹

From the experience of The Smith Family, three factors are needed to help improve post-school transitions:

1. earlier guidance on possible career and vocational pathways for students in school;
2. improved pathways between school and further study, education and work; and
3. available work experience, or exposure to work, for young people contemplating life after school.

It is important that schools and industry collaborate in creating better post-school transitions, especially for disadvantaged students, a point also made in the 2015 Report of the Reference Group on Welfare Reform to the Minister for Social Services, *A New System for Better Employment and Social Outcomes*.³² The benefits from this collaboration are clearly identifiable. British researchers found that students who regularly participated in school-facilitated employer

³⁰ House of Representatives Select Committee on Intergenerational Welfare Dependence, *Discussion Paper*, paragraph 3.18-3.19, p14.

³¹ Lamb, S., Jackson, J., Walstab, A. & Huo, S., *Educational opportunity in Australia in 2015: Who succeeds and who misses out. No 02/2017*, Centre for International Research on Education Systems, Victoria University, for the Mitchell Institute, 2015, p 71.

³² Report of the Reference Group on Welfare Reform to the Minister for Social Services, *A New System for Better Employment and Social Outcomes: Final Report*, February 2015, p 157.

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engagement programs were nearly twice as likely to be in education, employment or training as comparable peers who had not such interactions.³³

The Smith Family delivers programs at both the school and tertiary level to improve the post-school transitions of financially disadvantaged students. At the school level, we partner with employers to deliver the *Work Inspiration* program. This program is delivered to students from Years 9 to 12. It offers them a meaningful, practical opportunity to engage with the world of work, across different industries. The young people we work with are likely the first in their family to complete Year 12, go to tertiary education and are likely to be living in a household where no one is in employment. Students spend time in various workplaces, interacting with employees, and learning more about the skillsets required for the particular industry. It helps them better understand the diversity of career opportunities and pathways employees may take over their career. It helps them appreciate the value of strong engagement in their education and completion of Year 12. It also helps them create a work-related network and to develop implicit workplace knowledge. This social and cultural capital is incredibly valuable to these young people as they consider their future. Current employers involved in the program include Microsoft, SAP, McDonalds, Hilton Hotels, Arup Engineering, DLA Piper, Audi, Kain Foundation and Flight Centre. In 2016, approximately 884 students from Smith Family partner schools participated in *Work Inspiration*.

At the tertiary level, The Smith Family is piloting the *Cadetship to Career* program, a joint initiative with the Business Council of Australia (BCA). This program offers professional cadetship opportunities for around 85 disadvantaged students who are currently part of The Smith Family's Tertiary Scholarship Scheme. A cadetship runs for typically two to four years. During this time, cadets receive eight weeks of paid full-time employment per year with a BCA member company, workforce-focused training and skills development, as well as continuing financial support via the Tertiary Scholarship Scheme. By participating in the program, cadets improve their job readiness, hone their own career aspirations, develop new professional networks, and potentially access entry-level graduate employment positions. It is a promising example of how charities and business can collaborate and achieve shared outcomes benefitting the community.

These types of programs, alongside others delivered by the not-for-profit sector, help tap into students' aspirations for future careers, presenting them with practical insights and work experience as well as connecting them to a network of employers. Initiatives like these, aiming to improve transition pathways for young people, are best delivered through partnerships involving schools, industry groups, employers, educational institutions and/or community organisations. Multiple sectors work together in creating post-school pathways for disadvantaged young people.

Encouraging employers to recruit disadvantaged young people is another priority issue for the Committee.³⁴ These initiatives are employer-led and allow employers in different industries to refresh or strengthen their workforce with young recruits eager to work. They have a substantive

³³ Mann, A., Kashefpakdel, E., Rehill, J. & Huddleston, P., *Contemporary transitions: Young Britons reflect on life after secondary school and college*, Education and Employers Research, 2016, p 28.

³⁴ House of Representatives Select Committee on Intergenerational Welfare Dependence, *Discussion Paper*, paragraphs 3.18-3.19, p 14.

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opportunity to meet potential candidates through these types of programs and see them working, which can inform their future recruitment plans.

When discussing the employability of disadvantaged young people, attention must be paid as well to the structural difficulties they face in the present labour market. Young people experience higher levels of unemployment and underemployment than any other age group. Whilst unemployment is 5.4 per cent, youth unemployment is more than twice as high, at 11.6 per cent³⁵ and more stark in certain regions across the country. National underemployment is approximately 8.5 per cent,³⁶ yet in February 2017 youth underemployment was 18 per cent, the highest such rate in forty years.³⁷ Critically, there has also been a narrowing of entry-level opportunities in the labour market, including the range and availability of full-time positions. Young people are disproportionately affected by this. There are four main ways that changes in the patterns of employment in the economy have impacted young people moving from school or higher education to work:³⁸

1. employment growth has occurred in sectors that do not have well-developed career structures spanning entry level through to higher roles;
2. employment growth has occurred in sectors characterised by insecure forms of employment;
3. traditional labour market entry point positions in primary and manufacturing industries for young people have been in decline; and
4. large organisations have changed their recruitment, appointment and staff management practices.

The welfare system will operate more effectively when it is managed in coordination with social policies delivered across different levels of government. Stronger cross-jurisdictional and cross-sectoral collaboration will be required if there is to be significant improvement in the number of young people successfully taking up employment and/or post-school education and training. There needs to be greater alignment between education, employment and community services systems. This too was recommended in the 2015 Report, *A New System for Better Employment and Social Outcomes* mentioned above.³⁹ For example, the employment services should provide specific support tackling the difficulty of the transition to work period for young people, as well as the precarious nature of entry-level work. Employment outcomes for this cohort will be better if the support is tailored and ongoing, allowing intense case management of young people in need of longer-term assistance. As important is ensuring that youth-focused employment programs are

³⁵ Heath, Mark, '[Australian jobs show weakness even as unemployment rates falls](#)', *Bloomberg News*, June 14 2018; Department of Jobs and Small Business, [Labour Market Information Portal](#), National figures as at July 2018.

³⁶ Heath, Mark, '[Australian jobs show weakness even as unemployment rates falls](#)', *Bloomberg News*, June 14 2018.

³⁷ Brotherhood of St Laurence, *[Generation stalled: Young, unemployed and living precariously in Australia](#)*, March 2017, p 2.

³⁸ The Smith Family, *[Young people's successful transition to work: What are the pre-conditions?](#)*, September 2014, p 2-3.

³⁹ Report of the Reference Group on Welfare Reform to the Minister for Social Services, *[A New System for Better Employment and Social Outcomes: Final Report](#)*, February 2015, p 72-73, 76, 110-11.

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widely accessible, especially for disadvantaged young people, and others at risk of detaching from education or training.

5. Improvement of the financial capacity and security of families

The Smith Family welcomes the Committee's interest in how to improve the financial knowledge and capacity of families experiencing intergenerational welfare dependence. There are programs currently operating in the community where service providers work closely with low-income families to strengthen capability in this area. *Saver Plus* is a leading example of such a program. *Saver Plus* is the first matched savings program in Australia and is arguably the largest and longest-running program of its kind in the world.⁴⁰ The program is funded by ANZ and the Australian Government, with ANZ providing the matched savings to participants. It is delivered in 61 communities across Australia in partnership with various charities including The Smith Family. A total of nearly 20,000 low-income families from 27 local communities across Australia have participated in *Saver Plus* through The Smith Family.⁴¹

The eligibility criteria for participation in *Saver Plus* specifically targets people who draw on welfare payments and are raising children. Participants must be:⁴²

- 18 years or over;
- either a parent or guardian of a child attending or enrolled to attend school or attending or returning to vocational education where they will receive an accredited vocational education certificate;
- have a current Health Care Card or Pensioner Concession Card;
- have regular income from paid employment (participant or their partner);
- be able to demonstrate a capacity to save after regular expenses have been paid; and
- have a connection to the area in which the *Saver Plus* program is run, by living, working, studying or having children at school in the area.

The program requires individuals to identify and save toward an eligible education-related savings goal and participate in at least 10 hours of the MoneyMinded financial education program offered as part of *Saver Plus*. There are four workshops covering topics such as Planning and Budgeting, Saving and Spending, Everyday Banking, and Planning for the Future. Participants open an ANZ Progress Saver account and make regular and consistent deposits over a 10-month period. At the successful completion of the program every \$1 saved by the participants while on the program is matched by ANZ with an additional \$1, up to \$500. As part of the 10-month program, participants have access to a *Saver Plus* coordinator who provides guidance and support if participants face challenges that affect their capacity or ability to save.

Saver Plus has a positive short and longer-term impact on the families who participate. The matched savings component of *Saver Plus* gives families the opportunity to work towards a

⁴⁰ Brotherhood of St Laurence, *Saver Plus Report 2016*, 2016, p 3.

⁴¹ Russell, R., Kutin J. & Stewart, M for RMIT University, *Saver Plus: Pathways to wellbeing*, May 2018, p 4.

⁴² Brotherhood of St Laurence, *Saver Plus Report 2016*, 2016, p 3.

previously unreachable goal. For instance, parents are able to replace ageing computers, buy their children new school uniforms and stationery and foster their children's sporting and musical pursuits. By teaching skills in how to manage budgets and establish savings plans, Saver Plus is helping set up families for a more positive financial future. These are skills which parents can pass onto their children. A recent study conducted by RMIT found that even up to seven years after completing *Saver Plus*, 87 per cent of participants were still saving the same amount or more, demonstrating the long-lasting effect of such schemes.⁴³ A 2018 survey, sampling participants in the program between 2009 to 2016, found 78 per cent of respondents were better able to make ends meet after participating in *Saver Plus*, and 73 per cent of survey respondents were better able to provide for their families.⁴⁴ A 2016 report on the program showed how parents in the program operate as 'first teachers' for their children on financial acumen, with 84 per cent of participants encouraging children and family members to save in their own lives.⁴⁵

One of the great advantages of *Saver Plus* is that it is a national program tailored and delivered in local communities. The Smith Family, like other service providers, partners closely with local businesses and banks, as well as local government, to ensure that there is sufficient community involvement. Participants in the program are not only given targeted training and support, but are introduced to these other community stakeholders. There is also a benefit to government, as the program is estimated by 2020 to deliver a social return on investment of \$5.39 for every dollar of public funding.⁴⁶

6. A holistic approach to tackling intergenerational welfare dependence

As the Committee considers how to use the welfare payments system to break cycles of disadvantage, and how to improve coordination between the tiers of government to support families, it has the chance to think holistically about the role of social security in addressing individual and family need. The national discussion has veered to a place where welfare is increasingly framed as charity to segments in the community, and the system viewed predominately as a fiscal burden on the state. The reality is that social security plays a hugely positive role in ensuring Australia lives up to its creed to be an egalitarian country. The system works best when it is viewed as a platform supporting people who require extra help, at different stages of their lives for example, to be job ready, to go to school, to care for dependents as they age, and to thus contribute to our community.

In examining effective approaches to breaking intergenerational welfare dependence and the cycle of disadvantage, the Committee should remain mindful of how welfare payments interact with social policy and service delivery more generally. To focus on welfare payments exclusively risks losing the opportunity to improve the functioning of social security as a system. Government will drive more impactful and effective welfare policies overall if the welfare payments system works in tandem with the other social policy levers. Chief amongst these levers is the design and delivery of quality programs in local communities with high levels of disadvantage across Australia. There are

⁴³ Taylor, G., 'Supported saving boosts financial wellbeing: report', 24 May 2018.

⁴⁴ Russell, R., Kutin J. & Stewart, M for RMIT University, *Saver Plus: Pathways to wellbeing*, May 2018, p 6.

⁴⁵ Brotherhood of St Laurence, *Saver Plus Report 2016*, 2016, p 11.

⁴⁶ Brotherhood of St Laurence, *Saver Plus Report 2016*, 2016, p 2.

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leading practice principles that can be drawn from such programs as *Learning for Life, Communities for Children* funded by the Department of Social Services, and *Saver Plus* that make them effective in tackling cycles of disadvantage and poverty. Firstly, these initiatives are impactful because they draw directly on primary research on the importance of early intervention, and seek to develop the skills, knowledge, attitudes and behaviours needed to thrive in 21st century Australia.

Secondly, whilst these programs operate within a consistent, national policy framework, they are delivered in communities and tailored where appropriate to local conditions. This involves close coordination and partnership with local community stakeholders across business, civil society and government, without which the programs could not succeed. In the case of *Learning for Life*, The Smith Family works closely with individual school communities in identifying students who require the most help, and in providing after-school programs tailored to their needs. For *Work Inspiration* and *Cadetship to Career*, we work not just with schools, but with large and small businesses to ensure the program is as practical and useful as possible. For *Saver Plus*, The Smith Family, like the other providers involved in the program, partner closely with local businesses, including bank branches, local government and other relevant service providers in the area, such as legal aid.

Thirdly, each program is routinely and rigorously evaluated to assess its level of impact and the extent to which it has achieved its proposed outcomes. This ensures that the programs are continually improved as more and more people participate in them.

Whilst the Committee will consider a range of innovative programs from the non-government sector, The Smith Family also believes that the Australian Government's Try, Test and Learn Fund continues to have potential to identify promising new approaches to breaking welfare dependence. The objective of this Fund is to generate new insights and empirical evidence into what programs work. The fund looks to fill gaps in program delivery or to scale up existing services. Projects are robustly evaluated in order to produce high-quality policy evidence about the effectiveness of interventions, for whom, and under what circumstances. This particular model has promise in encouraging an open and collaborative approach to policy development with a diverse range of stakeholders outside government. The Smith Family recommends that the Committee actively consider how the Try, Test and Learn model can be further applied in the welfare space.

The Committee should also consider how the Department of Social Services can coordinate with its state and territory and even local counterparts to improve intergovernmental social security policy development and human service delivery. Leading practice principles from successful interventions have already been identified such as above, and the Committee can contemplate how to adopt and apply them further, and how to bolster the role of the Department of Social Services as the fulcrum in the federal system of social policy and social services.

The Committee may also wish to form a view, or at least examine, whether the current welfare payment levels are sufficient to help reduce disadvantage, poverty and hardship. As mentioned previously, social security works best when it ensures low-income families have an acceptable, minimum standard of living. The Smith Family recommends the Committee consider whether the welfare payments are still operating to a publically acceptable standard. There has been increased discussion of the adequacy or otherwise of particular benefits such as the Newstart allowance and Rent Assistance, compared in particular to how the aged pension is calculated. Given the breadth

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of the Inquiry and its interest in options to break the cycle of disadvantage, it is logical and necessary to consider the adequacy of current welfare benefit levels.

7. Breaking intergenerational cycles of disadvantage requires national goals

Australia is unlikely to make substantial inroads in intergenerational welfare dependence unless we adopt national goals for reduction of poverty and inequality. Australia's commitment to the United Nations Sustainable Development Goals (SDG) have already created overarching, long-term targets to guide social policy between now and 2030. These targets are welcomed, and should guide our national social policy priorities, supported by necessary strategies, collaborative frameworks and adequate resources. The fact that these goals are non-binding should not diminish their significance to public policy development, or limit our ambition about what we can achieve over the next decade as a nation. Australia is aiming to achieve the following goals relevant to the Inquiry:

- *Goal 1 – Poverty reduction:* Reduce by at least half the proportion of men, women and children of all ages living in poverty in all its dimensions.
- *Goal 10 – Reduced inequality:* Progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average.

The SDG includes important and equally ambitious targets within these and other goals, regarding major issues like economic, political and social inclusion for all people⁴⁷ and increasing the number of young people and adults who have relevant skills, including technical and vocational skills, for employment and entrepreneurship.⁴⁸ There is a direct link between the SDG and the potential for further progress in addressing welfare dependence in this country.

Successfully meeting the targets will mean Australia has created a fairer, more equal and more inclusive society, particularly for those Australians from disadvantaged backgrounds. It will be a stronger and more resilient nation both economically and socially. With this end in mind, the long-term pursuit of these targets can act as a catalyst to help government focus on breaking intergenerational poverty and disadvantage for children and young people in Australia. Australia could begin to arrest rising inequality, make major inroads into alleviating poverty and expand access to high quality education and training to ensure Australia's young people find satisfactory and dignified work. However, it will require rethinking how governments develop policy, collaborate across society and measure progress.

8. Conclusion

Australia's record of prosperity, forged through the policies of successive governments, is unique amongst advanced nations. We now have a chance to look more closely at how we can best help disadvantaged and vulnerable Australians. The purposeful creation of the Committee is a promising opportunity to find ways to improve the effective operation of our welfare payments

⁴⁷ Sustainable Development Goal 10 - Reduced Inequalities.

⁴⁸ Sustainable Development Goal 4 – Quality Education.

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system, and our human service system more generally, in breaking intergenerational cycles of disadvantage. In looking for suitable pathways for reform, we can also reframe how we think of those citizens relying on welfare, and draw them more closely into the community as equals deserving of respect and fair support.