



# The Salvation Army

Australia Southern Territory

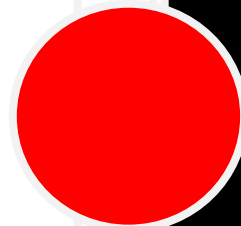
THE SALVATION ARMY AUSTRALIA SOUTHERN TERRITORY  
SUBMISSION TO SENATE COMMITTEE INQUIRY – SOCIAL  
SECURITY LEGISLATION AMENDMENT (FAIR INCENTIVES  
TO WORK) BILL 2012.

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For more information, please contact:

The Salvation Army  
Australia Southern Territory  
Territorial Social Programme Department  
99 Railway Road, Blackburn VIC 3130

[www.salvationarmy.org.au](http://www.salvationarmy.org.au)



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## 1. INTRODUCTION

The Salvation Army (AUS) is one of Australia’s largest providers of social services and programs for the most marginalised and socially excluded individuals. This submission is informed by these experiences and The Salvation Army’s collective knowledge and expertise about the causes, impacts and possible solutions to disadvantage.

The Salvation Army welcomes the opportunity to make submission on the proposed amendments to the Social Security Act 1991 in three additional schedules:

- Schedule 1 – parenting payment transitional arrangements
- Schedule 2 – liquid assets waiting period
- Schedule 3 – termination payments.

The Salvation Army (AUS) response to this inquiry is submitted on behalf of The Salvation Army (AUS), which incorporates the jurisdictions of Victoria, Tasmania, South Australia, Western Australia and the Northern Territory.

The Salvation Army (AUS) has a number of concerns with Schedule 1 and will provide a detailed response to this component of the proposed legislation.

The Salvation Army Australia Southern Territory (AUS) recommends that Schedule 2, which refers to the amount of liquid assets an individual can have before being subject to a waiting period for social security payments, be passed. This amendment is welcomed by The Salvation Army as it enables people who become unemployed to retain more of their saving to assist in the adjustment to lower income they receive on Newstart or other allowance payments. The Salvation Army (AUS) would argue, however, that it should be extended in all circumstances where an individual loses their employment and face a period of time on income support. Indeed, the Henry Tax review recommended that the Liquid Assets Test be abolished.

The Salvation Army (AUS) recommends that Schedule 3, which seeks to clarify definitions of ‘termination payments to more accurately reflect the intent of the Act, be passed.

### 1.1 About The Salvation Army

The Salvation Army is one of the largest national providers of welfare services. Operating for over 130 years in Australia, The Salvation Army has a significant history working with and

advocating for the rights and needs of disadvantaged people in our community. Consistent with the organisation's values of human dignity, justice, hope, compassion and community, The Salvation Army is committed to the promotion of social justice and protection of the rights of disadvantaged and vulnerable people.

In April 2012, The Salvation Army Australia released its inaugural Economic and Social Impact Survey<sup>1</sup> of people accessing its emergency relief centres. The main premise of the study was to gain insight into the economic and social impact of cost of living pressures of people seeking emergency relief through The Salvation Army services. Of the 1731 individuals surveyed:

- 81% were on an income support payment;
- 48% of respondents had children;
- 36% were single parents with dependent children;
- 12% were couples with dependent children; and
- 82% of adults reported multiple indicators of deprivation<sup>2</sup>

A consistent theme highlighted in the study was that a large number of people in the community struggle to meet everyday expenses and financial commitments. Of significant concern is that these individuals are also experiencing severe levels of deprivation (access to services and activities), which further compromises individual and family living standards and inclusion in the Australian community. Of particular concern is the level of disengagement of children due to costs associated with activities. Over half of adult respondents reported being unable to afford to pay for out-of-school activities for their children (58%) and over one third could not afford for their children to participate in school activities and outings (36%).<sup>3</sup>

The Salvation Army Australia Southern Territory (AUS), with an annual operating budget of approximately \$300 million, provides over 600 social programs and activities, through a network of social support services, community centres and churches located throughout Victoria, South Australia, Western Australia, the Northern Territory and Tasmania. In 2010, The Salvation Army (AUS) provided over 550,000 occasions of service. This included more than 75,000 people provided with emergency relief, over 80,000 meals, and over 600 crisis and 4,000 non-crisis accommodation beds every night of the year.

Key services provided by The Salvation Army (AUS) network include:

- Material aid and emergency relief
- Financial counselling and assistance
- Personal counselling and support
- Drug and alcohol support and treatment services
- Family and domestic violence support and accommodation services

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<sup>1</sup> *The economic and social impact of cost of living pressures on people accessing emergency relief. A national survey.* (2012) The Salvation Army Australia [http://www.salvationarmy.org.au/about-us\\_65047/research-media.html](http://www.salvationarmy.org.au/about-us_65047/research-media.html)

<sup>2</sup> Deprivation is described as a lack of resources that prevent people from accessing goods and activities that are essential, and is measured by using a 26 item list that identifies those who do not have and cannot afford each item. (Saunders, P. Naidoo, Y. and Griffiths, M. (2007) (2007) *Towards New Indicators of Disadvantage: Deprivation and Social Exclusion in Australia.* Social Policy Research Centre, Sydney, NSW.

<sup>3</sup> *The economic and social impact of cost of living pressures on people accessing emergency relief. A national survey.* (2012) The Salvation Army Australia. [http://www.salvationarmy.org.au/about-us\\_65047/research-media.html?s=1962558114](http://www.salvationarmy.org.au/about-us_65047/research-media.html?s=1962558114)

- Out of home care
- Accommodation and homelessness services
- Disability services
- Emergency disaster responses
- Education, training and employment support services
- Aged care services.

## **2. BACKGROUND**

### **Schedule 1 – Removal of the ‘grandfathering’ transitional arrangement from the parenting payment from 1 January 2013.**

Changes detailed in Schedule 1 will affect single parents who, since 2006 and the introduction of ‘Welfare to Work’, have continued to receive the higher parenting payment rate – the ‘grandfather’ clause. This move was to prevent existing single parent pensioners from losing income support. In addition to retaining the parenting payment, recipients were also subject to a number of activity requirements including registering with employment services and searching for employment of at least 15 hours per week. Further, the ‘Welfare to Work’ policy also expanded various employment and training services to assist those with new activity requirements. The proposed legislative amendments make no additional commitment to addressing employment and workforce readiness, although the 2012 federal budget committed funds to support telephone counselling.

The amendment proposed in Schedule 1 will cease parenting payments to all recipients when their youngest child turns 6 years old (for partnered parents) and 8 years old (for single parents), as a result of the cessation of the ‘grandfathered’ clause. The amendment will see the majority of parents switched to Newstart Allowance, which is at a lower rate compared to the current parenting payment. The proposed change will supersede all other changes, including the ‘grandfathered’ single parent’s pension and will impact approximately 100,000 single parent families, the majority of whom are single mothers.

## **3. KEY CONCERNS**

### **3.1 Economic and social impacts**

In April 2012, The Salvation Army Australia released a national report on the impact of cost of living pressures on clients accessing our emergency relief centres. With over eighty per cent of the sample in receipt of a government income support payment and thirty-eight percent single parents with dependent children, this report clearly illustrates the significant levels of deprivation and disadvantage experienced by specific cohorts in the community. At the time of the report, the majority of these single parents were in receipt of the single parent’s pension and, as such, will be subject to the proposed Schedule 1 amendments.

The report provides clear evidence of the level of deprivation and disadvantage experienced by a significant population group within our communities due to poverty and limited economic and social resources:

- 52% had gone without meals, with 29% of respondents indicating they could not afford a decent meal at least once a day

- 59% had cut down on the basic necessities, such as clothing and footwear, petrol and travel costs, milk and bread, etc.
- 59% had delayed payment on utility bills and 35% had delayed payment on rent or mortgage payments
- 33% could not afford to heat at least one room of the house if it was cold
- Over a quarter did not have a telephone (25%), a washing machine (27%) or furniture in reasonable condition (26%).
- 58% indicated they could not afford to fund an out-of-school leisure or hobby activity for their children
- 36% could not afford to pay for their children's participation in school outings and activities.
- 42% did not have and could not afford to access training in computer skills.

These experiences further compromise individual and family living standards and their capacity for inclusion within the Australian community.

More detailed analysis of the survey data indicated that those individuals on the lower paying allowance rates, i.e. Newstart Allowance, experience higher levels of deprivation and were more likely to be in less secure housing and making significant restrictions on basic living needs. For example, those on Newstart and Youth allowances were more likely than other income support recipients to go without meals, delay payment of rental and utility bills.

Of significant concern to The Salvation Army is that the highest level of deprivation is experienced in sole parent families on lower income support payments. These are the experiences of families currently in single parent payment allowances. Under the proposed amendment, these individuals will be even worse off. Parents who shift from the single parent payment to the Newstart Allowance and have no current earnings will be the hardest hit. This cohort is the most disadvantaged in terms of education and employment prospects, economic sustainability and living situations. Reducing their income support will do nothing to alleviate their current circumstances.

The Salvation Army is particularly concerned with this proposed measure – the shifting of an already economically disadvantaged group to the lower income support rate of the Newstart Allowance.

In summary, the research report concluded,

“People are regularly going without items, services and activities that are deemed essential for living and for full participation in community life, i.e. adequate standards of housing, educational resources and activities for children, access to health and a capacity to engage in social activities. An additional concern for The Salvation Army is the impact, both immediate and long term, of such disadvantage on the children within these families.

The survey lends weight to the significant concerns of The Salvation Army about the continuing impact of inadequate income support measures coupled with increasing cost of living pressure on already disadvantaged groups within our communities.” (p3)

In January 2012, The Salvation Army (AUS) released its Key Message Statement (KMS) on the adequacy and equity of the Newstart Allowance in response to the increasingly severe levels of disadvantage and deprivation being experienced by a core component of our client group. Our key concerns can be outlined as follows:

- Payments for unemployed are considerably lower than pensions for retired people.
- Based on current allowance rates, an individual receiving the Newstart allowance will receive \$35 per day (\$243 per week = basic payment without supplements) compared to a single pensioner who will receive \$50 per day (\$345.00 per week = basic payment without supplements).
- When compared against traditional measures of poverty (i.e. poverty lines), the allowance rate falls well below the poverty line<sup>4</sup>. Considerations of poverty alone however do not include other determinants of disadvantage that impact on and preclude an individual's inclusion in community.
- Pensions are indexed to average wage earnings whilst allowances are indexed to the Consumer Price Index (CPI), the latter does not increase at the same rate or level as average earning. On this basis, it is estimated that allowances will fall to half the value of pensions by 2040<sup>5</sup>.
- Newstart Allowance has a more restrictive earning threshold compared to parenting pensions.

The Newstart Allowance, as a base income support payment for those individuals who are unemployed, is currently the lowest unemployment payment in the OECD, and, in Australia, has only seen a minor increase (\$4.00) in 30 years.

Finally, The Salvation Army's key message statement emphasises the following:

"Income poverty is just one aspect of broader disadvantage that many organisations and charities, such as The Salvation Army, work with on a daily basis. People living in poverty are constantly forced to make critical choices about their daily living circumstances, and miss out on opportunities and activities that most of the community would take for granted.

Social security is recognised as a human right and is outlined in fundamental human rights treaties, namely the *Universal Declaration of Human Rights*, the *International Labour Organisation Convention* and the *International Covenant on Economic, Social and Cultural Rights*. Further, The United Nations defines four essential guarantees which should underpin all social security systems – termed the Social Protection Floor (SPF)<sup>6</sup>. This 'floor' seeks to guarantee, at a national level, an adequate income in the form of social transfers (e.g. pensions, unemployment benefits, child benefits, services for the unemployed and working poor), while providing universal access to essential affordable social services in health, water and sanitation, education, food, housing, and other services. The SPF aims to enhance social cohesion and inclusion through addressing the structural causes of poverty and inequality."

The Salvation Army questions how the proposed amendments align with these basic, internationally recognised human rights, and how they meet even the most basic of the underlying essential guarantees for social support systems.

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<sup>4</sup> Melbourne Institute of Applied Economic and Social Research (2011) Poverty lines: Australia June Quarter 2011. Retrieved 22/12/11 at <http://melbourneinstitute.com/downloads/publications/Poverty%20Lines/Poverty%20lines%20Australia%20June%202011.pdf>

<sup>5</sup> ACOSS (2011) Payments and participation reform brief. Provided by Peter Davidson (ACOSS) on 22/12/2011.

<sup>6</sup> International Labour Organisation (2011) Social Protection Floor for a Fair and Inclusive Globalisation. Retrieved 17/01/2012 from <http://www.unwomen.org/wp-content/uploads/2011/10/Social-protection-floor-report.pdf>

In May 2012 and June 2012, The Salvation Army Australia joined with ACOSS and other not-for-profit services to express our significant concerns to the federal government with the proposed amendments that would result in a reduction of social security payments for sole parent families and to request an inquiry into the impact of this legislation in relation to a possible breach of human rights

### **3.2 Transitions to employment**

Although this proposal has been promoted as a 'welfare to work' initiative, there have been no changes to either the activity requirements for the majority of people affected by the change, nor has there been a corresponding commitment to investing in services to support transition to employment, apart from funding for telephone counselling in the Federal budget. In addition, the measure continues the punitive and paternalistic approach to income support that does little to empower or support on a practical basis an individual's transition to employment.

The Salvation Army supports all reasonable and realistic measures to support an individual's from income support payments to employment. In particular we support moves to support parents to gain employment as a strong indicator for childhood inclusion in education and employment. We do not, however, support a move that pushes already vulnerable groups further into poverty and disadvantage, nor do we understand how reduced income has the effect of supporting transitions to employment.

There are a number of significant concerns about the focus on employability within this context:

- (1) Under the Newstart allowance the earning threshold is lower than on the parenting allowance, that is, parents on Newstart can earn less before a proportion of their income support is retained, compared to the threshold on parenting allowances. In effect the Newstart Allowance income test often makes work financially unviable.
- (2) The capacity of parents to find and maintain work with the dual role of parenting. This requirement (minimum of 15 hours per week) presupposes availability and existence of family friendly work places and hours; available and affordable childcare;
- (3) The most disadvantaged parents have the lowest education levels and no or limited work experience, and the current supports available do not adequately address these issues.
- (4) Poverty, poor housing and lack of transport are significant barriers to finding and holding employment. Reductions in income support will do nothing to ameliorate the effects of these.

The reality for many of the individuals and families The Salvation Army works with is that they experience multiple and complex issues with limited education and training and represent the most impoverished and disadvantage members of the Australian communities. Shifts to a lower income support payment will do little to support transitions to employment or training for this group, and the current proposed changes offer no additional support to address these more complex issues.

ACOSS's review of Welfare to Work evaluations confirm the above points as key determinants that support single parents successful transition to work. Unfortunately the current employment services system is not able to provide the level of support required to effectively support parents and individuals with multiple disadvantage to maximise their opportunities.

## 4. RECOMMENDATIONS

The Salvation Army social programme and community support service networks have considerable operational and practice experience and knowledge of working with the most marginalised and disadvantaged people within the Australian community. We would welcome the opportunity to discuss the submission further and work with government to find the best solution to provide better outcomes for these individuals.

**Recommendation: The Salvation Army (AUS) opposes amendments as outlined in Schedule 1 which will rescind the ‘grandfather’ clause as of 1 January 2013.**

**Recommendation: The Salvation Army (AUS) recommends the following measures be instituted to better support parent’s transition to employment and ensure that employment provides a better financial situation:**

- Any major changes to entitlements and or activity requirements for the primary parent should not be introduced until individual financial counselling and discussions can be held with them to assist them in the transition to a lower income.
- That the primary parent should not be required to accept a position where it can be demonstrated that they will be no better off financially as a result, including reference to employment on costs such as child care, travel.
- Employability support including access to career counselling and vocational training.
- Establishment of mechanisms to support greater engagement between Centrelink, employment services, parent and a parent’s key social support service with the view to development of active partnerships that support individuals through a comprehensive and individualised approach to identifying and addressing the multiple barriers to participation.

**Recommendation: The Salvation Army (AUS) supports Schedule 2 – the reduction of the length of the liquid asset waiting period by doubling the maximum reserve threshold for liquid assets for both single parents and others from 1 July 2013.**

**Recommendation: The Salvation Army (AUS) supports Schedule 3 being clarification of definitions of employment termination payment for purposes of income maintenance period.**