

3<sup>rd</sup> August, 2012



Committee Secretary  
Senate Education, Employment and Workplace Relations Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia

**To the Committee Secretary:**

**Submission to the Senate Committee on the Adequacy and Appropriateness of the Allowance payment System 2012**

Welfare Rights Centre Qld is a community legal centre which provides advice, advocacy and representation for people who have problems accessing the Social Security System. We believe people are better off in paid work than on welfare; however for those who are unable to maintain themselves financially, Australia should have a Social Security System based upon fairness, which recognises and accommodates diversity, is transparent and facilitates economic and social contribution, according to recipients' capacities.

Welfare Rights Centre Qld is a signatory of ACOSS's "\$35 a day is not enough!" campaign, as we firmly believe that current allowance rates place people in poverty, or at risk of it, and are hindering the ability of people to locate or "transition" into employment.

We welcome the opportunity to provide this brief submission to the Inquiry into the adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market. This submission has been prepared by staff of the Welfare Rights Centre and is based upon knowledge gained from our client work.

If you require further information, please contact Georgina Warrington, Acting Director,  
. We look forward to working with you in relation to these important issues.

Yours sincerely

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## Allowances as a support/incentive into work

Government rhetoric often refers to these payments as being “deliberately set” at a level that encourages people to locate employment (e.g. see Bill Shorten, *The Australian*, January 11<sup>th</sup> 2012 “Bill Shorten rules out increase in the dole”). Welfare Rights Centre believes that in reality, these payments provide people with insufficient resources to undertake the search for employment as this requires a considerable, measurable investment of funds (transport, clothing and personal items, access to internet and other job search facilities).

The assumption of our Social Security system is that job search payments are only transitional; that is, that people will spend a short time on them before obtaining employment. Statistics on recipients of benefits show that this is not the case. Of the 330 690 people receiving Newstart Allowance and Youth Allowance (other) in May 2012, over half, 182 650, were long-term recipients (i.e. had been in receipt of payments for 52 weeks or more) (Parliamentary Library, *Monthly Statistical Bulletin*, [http://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/MSB/Copy\\_of\\_17](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/MSB/Copy_of_17)). To lay the blame for their unemployment on the individuals themselves is one-dimensional and does not take into account the complexity of people’s lives, the changes in the labour market and the reduction in low-skilled jobs and the need for improvements in access to appropriate training and better job search assistance. These statistics illustrate that the notion of allowances being transitional payments for people is no longer credible in today’s economic environment.

The incentive to work for people on Newstart is hampered by the punitive income tests and taper rates. A Newstart Recipient can only earn \$62 before their payability is affected; they lose 50 cents for every dollar earned above that amount. Pensioners, on the other hand, are able to earn \$152 before any impact occurs. For people in low-paid, insecure positions this can be a significant disincentive to engagement in the workforce, even more so when the difficulty of reporting variable income to Centrelink is taken into account. Clearly, for a whole range of reasons, even limited participation in the workforce is preferable to none. Government policy and publications encourage recipients of Disability Support Pension to work in order to “gain the significant benefits that come with working, such as stronger skills, improved health and wellbeing, social connectedness, better incomes and higher living standards.” (FAHCSIA website: <http://www.fahcsia.gov.au/our-responsibilities/disability-and-carers/benefits-payments/disability-support-pension-allowable-hours-of-work-0>). Current income tests and taper rates for the unemployed on Newstart and Youth Allowance (other) do not reflect this rhetoric.

## Transitions to Work for People who are Ill or Disabled

With eligibility for the Disability Support Pension tightening, there has been an increase in people with significant health issues living on Newstart Allowance. We hear from clients for whom the cost of living puts pressure on their ability to adequately manage their health. Without a pension card, recipients of Newstart Allowance do not receive concessions for transport and utilities. People cannot enter employment when they are faced with ill health.

The threat of the loss of a Pension Card can also serve as a disincentive to people on Disability Support Pension to look for work, thereby risking losing their pension. In our experience, clients on DSP who demonstrate a regular ability to work, risk having their pension reviewed and their payment cancelled. Many people coming to us seeking the Disability Support Pension have an interest in working, but cannot survive on Newstart. Once on the DSP, individuals can be reluctant to try working long-term in case of losing the Pension and having to reapply under tighter eligibility requirements, should they find their condition won’t allow them to work the hours they had hoped. Fear of being forced onto Newstart Allowance is real amongst people in receipt of DSP because the difference between the two payments is so marked.

## Insecure Work

The National Welfare Rights Network, of which WRC is a member organisation, argued in their submission to the Independent Inquiry into Insecure Work that the changing nature of the labour market has contributed to an increase in debts resulting from overpayments, due to the complexities of reporting income. Welfare Rights Centre Qld agrees with this trend. In spite of their best efforts, people in casual employment can encounter difficulties reporting their earnings and this can result in confusion, anxiety and greater financial stress.

Welfare Rights Centre concurs with the findings in the Inquiry's Report, "Lives on Hold" that Newstart Allowance should be increased to a level closer to the Disability Support Pension and that the income reporting systems should be simplified.

## Programs of Support are failing the long-term unemployed

Increasing emphasis has been placed by government on the value of the Employment Service System to assist people to transition into employment. Welfare Rights Centre believes this system is failing people with significant barriers to employment. Many vulnerable jobseekers have a number of non-vocational barriers that contribute to, and even prevent them from successfully looking for, securing and maintaining employment. These issues can include drug addiction, family violence, homelessness, undiagnosed or disclosed illness or disability and significant family responsibilities. The current Employment Services System is not funded to address these barriers; it is funded to get people into employment no matter how short-term. If jobseekers' non-vocational barriers to employment are not addressed they will continue to 'churn' in and out of the Social Security system.

The Department of Education, Employment and Workplace Relations Annual Report for 2010 – 11 lists achievements for the year in relation to Outcome 4: Enhanced employability and acquisition of labour market skills and knowledge and participation in society through direct financial support and funding of employment and training services. Job Services Australia programs placed 47.6% of jobseekers into employment and 25% of the most disadvantaged (Stream 4 participants). (DEEWR Annual Report 2010-11, <http://www.deewr.gov.au/Department/AnnualReport/Pages/default.aspx>). These figures are not specific about the type of outcome or duration of the employment found. A job placement may be only a short-term one and not result in any greater likelihood of a long-term position.

The Independent Inquiry into Insecure Work notes that some for-profit providers engaged in arrangements with labour hire agencies to 'churn' workers in and out of employment to achieve placement payments. The Butterworth Review identified the practice of providers claiming 'provider-brokered outcomes' where there was no documentary evidence this had occurred, that is, that providers were claiming credit for job outcomes achieved by the jobseekers themselves (which puts the outcome figures above in greater perspective). Welfare Rights Centre is concerned that the current system is open to abuse by providers and that it encourages providers to focus not on job outcomes for vulnerable people, but on their bottom line.

There are few systems in place to ensure that jobseekers are connected to the other community service assistance they need. The Employment Service System is not integrated into the broader community services sector, which is equipped to support people to overcome their non-vocational barriers to employment. Services are currently only required to show some evidence of 'cooperative work' with their local community sector, but this is not reported through meaningful outcomes such as referrals or joint case management. In our Centre's research into the employment service system, we found many providers who were committed to servicing their clients holistically and recognised the need to provide support and/or refer to community organisations. They often do this at the expense of their star rating.

We also identified that many providers did not provide this service as it was not required as a part of their contract. The complexity of many job seekers' lives needs to be responded to if lasting employment outcomes are going to be achieved and there needs to be consistency in service levels across the system to ensure all jobseekers are getting a high level of service.

Outcomes for disadvantaged, vulnerable people of fewer than 30% (potentially only short-term placements) demonstrate that people are not getting the support they need from the system, and are facing an extended period of time on Newstart Allowance. With outcome levels so low and evidence of profit being made on vulnerable jobseekers' heads, government reliance on these programs as a demonstration of their support for jobseekers and illustration of Newstart's transitional nature is disingenuous.

### The Costs of Social Isolation

We believe that the current system is short-sighted as it underestimates the long term costs of social isolation to the community. Not only does the current Allowance system hinder transitions to paid work, it prevents recipients from being able to participate fully in their communities. The attached volunteer story illustrates this.

### A Volunteer's Story

Felicity is a volunteer solicitor at Welfare Rights Centre Inc. She is currently on Newstart Allowance and has provided her story to demonstrate the impact of the current rate and arrangements on her quality of life. Please find her story at the end of this submission.

### Recommendations

- The rate of Newstart Allowance and Youth Allowance is raised to by \$50 per week. These allowances are indexed in line with DSP (to changes in the CPI);
- Income tests and taper rates are relaxed to facilitate greater engagement in the labour market in line with Pension rates;
- The Employment Service System is required to demonstrate its involvement in community sector agencies and strong referral pathways; and
- The Employment Service System is adequately funded to reflect the real costs of supporting the long-term unemployed into paid work.

## **– My Story**

I was employed as a senior lawyer in the Public Service for a number of years. Late in 2009, I was hospitalised for 3 months, and was on income support (through my superannuation fund) whilst recovering for 12 months. I was living in share rental accommodation.

In March 2011, on medical advice, I resigned from the public service, and approached Centrelink. I was still not fit for work. Fortunately, I was aware that there would be a preclusion period due to my payment of entitlements on my resignation. My entitlements were actually spent on house removal and property storage costs, as on becoming unemployed I could no longer afford to live independently. I had to move in with my retired parents.

Due to my medical condition, it was vital that I kept my private health insurance to continue my treatment with my medical practitioner. Otherwise I would have been reliant on the public system and due to the lack of resources, and given to my particular condition (mental health issue), I expect my recovery would have been slower. Thus my reliance on social security would have been longer, as well as using public resources in the health system.

Another outgoing I have kept is my car insurance. It would be demoralising to not have the independence of my own transport, let alone the reliance on my parents to get me to medical and job seeking appointments. I put \$20 per week of petrol in my car a week, and have to limit the use of it accordingly. This has led to social isolation, as I have to limit the visits I make to friends. However, on occasion, my parents have given me money for petrol to allow me to leave the house.

Initially, I paid my parents \$100 per week board, and got Rent Assistance accordingly. Of course, the rent assistance did not cover my full board. It became apparent that I would not be able to continue with storage of my household effects, and I would be liable to lose them in order to survive. I entered an arrangement with my parents that they would pay the storage so that when I regain employment I can live independently as soon as possible.

Due to the period of time that I have not been able to work, it has been difficult for me to convince employers in my profession (law) to “take a punt on me”. Would I be able to cope with the demands of that type of work? Moreover, in applying for work outside the law I have been considered overqualified, and therefore unsuitable. The feedback is that employers do not want to engage me, only to have me leave shortly after to work in the field for which I am more qualified.

Therefore, as part of my Employment Pathway Plan agreement, and my medical recovery, it has been decided by all that a stint volunteering would assist in my self-esteem, becoming “work fit”, and to fill in the gap in my CV. As public transport is not subsidised in my case (Newstart), my parents pay for my train fares to allow me to volunteer.

Without the support of my parents I would more than likely be living in a boarding house. I would no longer have a motor vehicle. I would have lost my household possessions, which I have accumulated over many years. In this position, my recovery would have taken longer, if I recovered at all. It is debatable whether I would be ever able to return to the workforce, let alone in the legal profession. I would be even more socially isolated than I am now. With daily living concerns dominating, my ability to look for work would be diminished. The loss of self-esteem having found myself in this position would be great, and therefore presenting myself as employable would be extremely difficult.

### **My Additional Comments to the Inquiry**

- The payment is limiting as it leads to social isolation. Public transport is expensive if not subsidised. The upkeep of a motor vehicle is too expensive if it is to be properly maintained and insured.

- The payment, or lack of it, acts an incentive for paid work. Conversely, the position that such a small payment places the receiver in can lead to, or increase depression in people. The inability to afford contact with social supports unless that support bears the cost does not assist the self-esteem of the recipient.
- The current payment does not take into account the costs of looking for work. For example, as looking for work often relies on searching on the internet, internet provision in the home of the job seeker unless without external assistance is difficult. Reliance on public facilities/Employment Service Providers leads to costs in attending such facilities.
- The current system is ineffective in assisting those who are ill or disabled to return to the workforce. Treatment can be compromised by a forced transition from private health care, before the reliance on payments, to public care on becoming unemployed. As a result, a return to the workforce is delayed as recovery is slowed. Private health insurance could be further subsidised for people on social security payments to allow specialist care, and save reliance on the public system. Otherwise, recipients will take longer to be able to return to work.
- The current level of Newstart Allowance is a disincentive to return to the workforce through volunteering in order to gain skills, esteem and contacts. It costs money to volunteer and the lack of support to enable a NSA recipient to do so as an important step to returning to full time work makes little sense. Whilst reimbursement of transport, clothing and haircut costs to enable a recipient to attend and present for job interviews is helpful, it is submitted that assistance to enable volunteering would be helpful.