



financial  
counsellors'  
association of  
queensland inc.

admin@fcaq.com.au  
www.fcaq.com.au  
PO Box 271 Fortitude Valley Q. 4006

3<sup>rd</sup> August 2012

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

Via email: [eevr.sen@aph.gov.au](mailto:eevr.sen@aph.gov.au)

Dear Sir/Madam,

**Re: 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.**

I write this submission on behalf of the Financial Counsellors' Association of Queensland (FCAQ).

FCAQ is the peak body for the Financial Counselling sector in Queensland. The association has 71 members located from Cairns to the Gold Coast and west to Roma.

Our membership's client base (depending on funding agreements) ranges from wage/salary earners, Centrelink recipients; self-funded retirees, small business owners and primary producers. Financial Counsellors provide support to individuals or families experiencing financial difficulties. Support is tailored to each client and includes advocacy, budgeting, education, and empowerment. Referrals are made where necessary and appropriate to other services to further improve the situation of the client.

This submission is allowed to be put in the public domain, with case studies being a general representation of the clients seen by Financial Counsellors.

FCAQ welcomes the opportunity to inform Members of the Committee in this area. This submission is based on the experiences and practice wisdom of our membership in their day to day roles as case workers; who daily see the effects of clients struggling to exist on the Newstart Allowance.

The basis of this submission is that the Newstart Allowance penalises people rather than encouraging them to work. Our members see, on a daily basis, the effects and impacts of low income on individuals and their families and firmly believe people on Newstart Allowance are penalised by all tiers of government compared to other Centrelink Income recipients.

*Statutory Protection of Centrelink Income*

We note that under Section 60 of the *Social Security (Administration) Act 1999* (Cth) recipients of Centrelink Income are protected from debt recovery (except for Centrelink debt). Given that the

Commonwealth deems that Centrelink income needs to be protected against debt recovery, one could also assume that recognition is because Centrelink income is only for basic living costs such as rent and energy; the payments are too low to cover other costs.

#### *Growth of Payday Loans*

Last year the Honourable Bill Shorten, Minister for Financial Services and Superannuation and Minister for Employment and Workplace Relations, announced Reforms to Payday Lending. These reforms were in recognition that many low income earners were being contracted into exorbitant fees and charges in their desperate attempts to survive until payday. These loans have grown over recent years and the evidence we see is that users are increasingly those on Centrelink benefits and are using the loans to pay for essential services.

We note that the Minister's Media Release NO.123 2011 <http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2011/123.htm&pageID=003&min=brs&Year=2011&DocType=0> makes mention that the Federal Government had allocated \$335m over three years to support a range of initiatives to build financial resilience and wellbeing for vulnerable people and those most at risk of financial and social exclusion, including those using payday loans. Again this is an admission that many low income earners, particularly those in receipt of Centrelink benefits, are not able meet the basic necessities of day to day living expenses.

#### *No Interest Loan Schemes*

We are supportive of the Federal Government's support and funding for No Interest Loan Schemes (NILS) but suggest that the reason programmes such as NILS or other low interest loan schemes exist is because the amount of most Centrelink allowances is too low to accumulate savings to buy basic household items such as a fridge or washing machine. We also note that these schemes are in heavy demand and are slow to respond to the needs of their borrowers and do not exist in all communities or are targeted to specific groups such as pensioners or carers. For those on a limited income, it is difficult for them to meet the small loan repayments.

#### *Consumer Leases*

Members are seeing more use of Rental Contracts by low income earners. Rental Contract companies increasingly target those on Centrelink incomes. In our opinion it appears that these organisations encourage their customers to lease more than they require through the process of 'bundling' where a television or DVD player is 'bundled' with the fridge or washing machine loan. Again this suggests Centrelink allowances are not adequate to meet basic living costs and obtain basic household items.

#### *Telecommunications*

We see many clients that have a pre-paid mobile phone as their only form of communication. They use these types of phones because of their financial position. It prevents them going into debt and they purchase credit only when they have funds. But these phones are high cost per unit and users must still pay mobile phone rates when calling 1300 numbers. We contend that many Centrelink recipients do not access basic services because of this situation and because of their inability to afford other alternatives. This is an issue especially in rural and remote areas.

#### *Housing*

Rental costs in most areas now preclude single Newstart recipients from maintaining individual housing, and must share accommodation where available. When a person loses their employment they are less likely to be able to sustain their tenancy and this pressure may have a negative impact on job seeking as the person is seeking to maintain a basic standard of living (we call it 'barely

surviving'). Having Newstart as one's source of income greatly increases a person's risk of homelessness due to their inability to pay rent and being passed over in favour of someone who has a job or has a higher Centrelink Payment (although a property manager would not admit to such practice, it is a practice financial counsellors see). It is particularly difficult for separated/divorced parents who need safe housing to enable their children to stay for access visits.

#### *Door to door Sales and Vulnerable Consumers*

Our view is that Centrelink recipients are more likely to be the target of sellers of unfair products. They are less likely to complain or take remedial action to address the negative effects of their action (we call it 'being ripped off'). Many financial counsellors see people with direct debits they don't even understand are ongoing – they have been paying for so long that they just accept it. The longer they are on Newstart with little disposable income, the more difficult it is to survive, maintain stable housing, and/or retain creditworthiness. This affects their ability to participate in a normal social and economic lifestyle within the community.

#### *Discrimination of those receiving Newstart Allowance*

We support the concessions or subsidies available to low income, earners particularly Centrelink recipients, in areas such as car registration, public transport, energy and prescriptions. However we note that most of these concessions are not available to those on Newstart. Given Newstart and Austudy are the lowest income payments available, it is disappointing that those receiving a Newstart allowance (in Queensland) pay full registration (having a car to go to work or to seek employment is vital for many people) and do not receive energy concessions or rebates (energy costs are often 10% of their Newstart income). Not being able to access a public transport concession creates a further barrier to accessing the job market.

#### *Disability Support Pension*

It is also noted that those who succeed in working for a few months are subsequently removed from the Disability Support Pension, and are no longer able to return automatically to that payment. Some financial counsellors report that these people have to make decisions between retaining housing or buying medication as the Newstart Allowance is not enough for them to manage.

#### *QCOSS Cost of Living Report*

Earlier this year the Queensland Council of Social Service released a report into the costs of living in Queensland. As a group, those receiving Newstart payments are unable to afford a basic standard of living. We note the following recommendations from its report:

- Public transport and energy concessions to be extended to those on Newstart Allowances and to those on low wages income.
- Annual reporting of concessions available, eligibility and take up rate of concessions by low income earners to be implemented.

#### *Concessions*

Energy concessions are not currently available to people living in remote areas that only have power cards. Many of these are Indigenous communities.

We note the intention of the Newstart Allowance is to provide support while the person is looking for work. Those living outside major centres require private transport to engage in the workforce. Many regional centres have limited public transport, and where it is available, the services do not necessarily reach industrial areas or provide services that meet working hours.

Financial Counsellors are acutely aware that all Newstart recipients are unable to meet unexpected expenses or to meet the costs of ordinary maintenance of (what may be their most valuable asset) their motor vehicle and grapple with the choice of fuel versus food. This may constitute a barrier to those seeking employment where there is little or no public transport alternative. In Queensland those in receipt of Newstart have to pay the full amount of car registration.

We also find that many clients transition in and out of employment as their skills only permit them to obtain insecure employment (that often involves working out of normal hours). Or they may live in areas where the main employment is seasonal. In these cases a vehicle is essential but they are 'caught between a rock and a hard place' in that they need a vehicle to obtain employment but cannot afford to keep it when they are unemployed. We also find that clients may go into debt when they are employed to obtain a vehicle or household items but subsequently become unemployed and still have a debt that is not affordable. Present hardship provisions are predicated on the basis that unemployment will be short-term, but this is not always true for many of our clients.

The Newstart Allowance anticipates that applicants will have some pay, such as recreation leave, redundancy or penalty pay to enable them to live until unemployment benefits are available some two or three weeks after leaving a work situation. This is not always the case and housing can be lost during this time, creating further hardship and insecurity.

The following case studies are examples of clients seen in case work.

#### *Case Study 1*

Client has been unemployed since April 2011. He receives approximately \$530 per fortnight on a Centrelink Newstart Allowance.

He is an unskilled labourer with no formal qualifications and has primarily worked as a commercial painter.

The client immigrated to Australia in 1996. English is not his primary language and he has basic literacy and numeracy skills in English.

Client had his vehicle repossessed in May 2011 and had signed a business lease 5 years previously and, due to his limited capacity to understand English, he was unaware of the balloon repayment that was required at the end of the 5 year term. As a result the vehicle was repossessed with limited notification to the client.

The vehicle that was repossessed had enabled the client to maintain informal employment as a painter. When it was repossessed the client was no longer able to continue in that line of employment as he has no means of transporting his necessary equipment.

The client has been connected to a Job Network agency. He has failed licencing tests for roles such as a fork lift driver due to his low level literacy skills and English comprehension.

The client has been offered a role at a factory that requires him to 'bid' for casual vacancies on a day-to-day basis. Notification for the roles only comes an hour or two before the start of shift and he is unable to bid as travel on public transport takes him 2 hours and requires 3 connecting buses.

The client also struggles to pay the cost of the transport with no concessions available.

There is limited industry in the region where the client resides. He is unable to relocate due to the affordability of his current residence. The client would not be able to afford extra rent on his current income. The client also pays child support.

Comment: this case study demonstrates the lack of support for the long term unemployed and unskilled workers. Many have a desire to work but are unable to afford retraining or the travel costs to prospective employment.

#### *Case Study 2*

A victim of State government cost cutting, a single mother with two primary school age children she has managed to put enough money aside to be two months in advance on her mortgage.

Newstart Allowance of \$529.80 per fortnight does not cover her monthly repayments of \$1263.

Living in an area where housing prices are depressed she hopes, if forced to sell her house that it will sell for more than what is owed. If she was renting she would be entitled to up to \$120.20 per fortnight if her rent was more than \$267.07 per fortnight.

Comment: many people through no fault of their own - whether it is death of the main income earner, injury, employer being liquidated or retrenchment - are forced onto the Newstart Allowance. The low amount of Newstart further magnifies an already difficult situation. Renters who lose their job can receive Rent Assistance but those with mortgages are doomed to financial hardship if they remain on Newstart for even a short period. A number of our members report that clients are finding that their houses are worth less than what they owe.

In closing we ask that the Committee notes the following:

1. Newstart Allowance is not sufficient to meet basic living costs such as rent, food, electricity and transportation (car or public transport).
2. In Queensland Newstart recipients do not receive the concessions other Centrelink recipients receive such as car registration, public transport and electricity.
3. The current level of Newstart payments is a barrier to job seekers engaging with the broader community and may also influence the ability of recipients to actively pursue employment. This particularly relates to people where the period of unemployment exceeds one month.
4. QCOSS recommendations are implemented.
5. That most people in our society could not afford to live on Newstart and few employed people have job security.

Yours sincerely,

David Lawson  
Secretary FCAQ

#### **References**

QCOSS (2012) *Cost of Living Report*. Retrieved 8<sup>th</sup> June 2012, from  
<http://www.qcoss.org.au/sites/default/files/COL%20Report%202012%20FINAL.pdf>