



9 February 2009

Committee Secretary
Senate Finance and Public Administration Committee
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Dear Committee Secretary

Submission to the Finance and Public Administration Senate Inquiry into the Nation Building and Jobs Plan

The National Welfare Rights Network (NWRN) is pleased to be able to provide the following brief comments for the consideration of the Committee. The NWRN is an incorporated national peak body of 14 community legal centres throughout Australia which specialise in Social Security law and its administration by Centrelink. NWRN member organisations provide casework assistance to their clients in the form of information, advice, referral and representation and conducts community legal education programs. Based on the experience of clients of NWRN members, the NWRN also undertakes research and analysis, develops policies and position papers and advocates for reforms to law, policy and administrative practice.

The Household Stimulus Package Bill 2009 provides for "household stimulus payments in the form of a single family bonus, a back to school bonus, training and learning bonus (including an education entry payment supplement) and a farmer's hardship bonus. The bonus in each case is \$950." The NWRN is supportive of many aspects of the Bill which provide for the payment of one off payments to many recipients of Centrelink and Family assistance payments. The NWRN is however critical that the unemployed, have largely been excluded from these measures.

NWRN is very concerned that for too many years, Governments of all persuasions have ignored the financial circumstances of unemployed people in Australia. Although on occasions, politicians have publicly acknowledged that they could not live on the Newstart Allowance rate, at present \$225 a week for singles, this package as it stands perpetuates the trend to ignore the plight of the unemployed. As the financial economic crisis continues to impact on the Australian economy and the unemployment rate continues to rise (predicted at to be at least 300,000 over the next 18 months), NWRN urges the Committee to consider a range of measures that will help ease the financial circumstances of the current

The NWRN is a network of services throughout Australia that provide free and independent information, advice and representation to individuals about Social Security law and its administration through Centrelink. For member details, services and information visit: www.welfarerights.org.au

unemployed (as well as those who will stand to lose their jobs as a result of the economic downturn) and which will also add much needed stimulus to the economy.

The underpinning agenda for the payment of the bonuses through both the Social Security and Taxation system is to provide an injection of money to the Australian community at a time when the world economic downturn will have further impacted and slowed our economy. The government is desirous that these bonuses will be spent and provide an immediate kick start to the economy. The priority for these monies to be returned quickly to the economy is likely best served by the one off bonuses being paid to the most disadvantaged within our community, our nation's unemployed. The very low rates of unemployment payments put Australia's unemployed as the poorest of the thirty OECD countries. The inconsistent payment indexation arrangements between pensions and allowances further compounds this disadvantage. According to the Government's own data in the Pension Review Background Paper, in the last decade pension rates have increased by 20 percent in real terms and in that same time the real increase of a single allowee has been a fraction of this with an increase of just 0.5%.

It remains unclear why the unemployed have been excluded from the proposed Household Stimulus Package especially given that they are more likely to spend any cash bonus payments on basic and essential goods and services because of their very low payment rates. That our current job seekers "are some of the community's most disadvantaged people" has recently been acknowledged by the Department of Education, Employment and Workplace Relations.¹ The NWRN acknowledges that the best and most effective way out of poverty and disadvantage is through greater economic participation through employment but with the expected increase in unemployment due to the global economic crisis this outcome is less likely especially for our most disadvantaged jobseekers. Whilst there is an urgent need to address the inadequacy of payment rates for the unemployed which are at or below the poverty line, an extension of the Household Stimulus Package to the unemployed would make an immediate contribution in easing some of the short term current financial and economic pressures faced by them. The long term disadvantage of this group will make it more likely that these monies will be put back into the economy.

Recommendation:

That the Bonus payments are extended to include those in receipt of Newstart Allowance and equivalent payments.

NWRN also urges the Committee to recommend that the Package also include changes to the waiting periods for Social Security payments which currently result in people with modest savings and redundancy income facing unfair wait times before being eligible for Social Security payments and access to useful job search assistance. The current policies also fail to take account of the close to Poverty Line and residual nature of the Australian Social

¹ Department of Education, Employment and Workplace Relations, Submission to the Senate Education, Employment and Workplace Relations Committee inquiry into the Social Security Legislation Amendment (Employment Services Reform) Bill 2008.

Security system which allows very little capacity to meet unexpected, emergency or infrastructure costs.

As a first step, the Liquid Assets Waiting period and the Income Maintenance Period require urgent attention.

The Liquid Assets Waiting Period was introduced in 1991. Claimants of Newstart Allowance, Youth Allowance, Parenting Payment and Sickness Allowance can be subject to the Liquid Assets Waiting period for up to a maximum of 13 weeks if their liquid assets are above the threshold amount. The original threshold of \$5 000 for a single person and \$10 000 for a couple or a single person with a dependent child has not only not been indexed since that time but has actually been halved. In 1997, the previous Government halved the thresholds so that the current amounts are \$2 500 for a single person and \$5 000 for a couple or a single person with dependent child. Under the current threshold amounts, a couple with as little as \$18 000 is forced to wait 13 weeks for any payment. While a single person who owns a car unencumbered worth \$40 000 and little else can get Newstart Allowance quickly, another single applicant with a share portfolio of \$15 000 under the current rules is forced to wait for 13 weeks.

An Income Maintenance Period can apply where a person leaves employment and receives leave entitlements they are owed. Leave entitlements such as annual leave, sick leave, long service leave and maternity leave are included in the calculation. The *Employment and Workplace Relations Legislation Amendment (Welfare to Work and other Measures) Act 2005* extended the coverage to include redundancy payments. The income maintenance period applies to Newstart Allowance, Youth Allowance, Sickness, Partner Allowance, Parenting Payment, Widow Allowance, Austudy Payment and Mature Age Allowance. In our view, the inclusion of redundancy payments in addition to other leave payments is both unreasonable and harsh.

Given the projected increases in unemployment, many of whom will be without employment for the first time and with mortgages to sustain, the exclusion of redundancy payments from this waiting period will help to insulate people as they adjust to their changed economic circumstances and would reduce the risk of them losing their homes and becoming homeless.

Recommendations

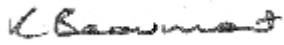
That the Liquid Assets Waiting Period threshold be restored to 1991 levels (in 2009 dollar terms) to ensure that unemployed people can access useful job assistance services quickly, retain some savings and have some minimal protection against poverty.

That redundancy payments are excluded from the calculation of a person's Income Maintenance Period.

NWRN believes that the inclusion of these additional measures in the package will bolster the effectiveness of the package whilst providing much needed financial relief to those amongst the most disadvantaged in Australia, the unemployed.

Given the enormity and significance of the issues under consideration by the Committee, we hope that the Committee is able to give due attention to the issues raised in our submission.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Kate Beaumont".

Kate Beaumont
President, National Welfare Rights Network Inc.