



Australian Council of Social Service

18 July 2014

Senator Zed Seselja
Chair
Senate Community Affairs Committee
Parliament House
Canberra ACT 2600

Re: SOCIAL SECURITY LEGISLATION AMENDMENT (STRONGER PENALTIES FOR SERIOUS FAILURES) BILL 2014

Dear Senator,

I write to present this brief submission to your Committee's inquiry into the above legislation. The Bill would increase the number of eight week non-payment penalties faced by unemployed people.

While we support a fair compliance system to support reasonable participation requirements for people who are unemployed, ACOSS has always regarded the eight week penalty as harsh. The typical loss of income for those serving an 8 week penalty period is approximately \$2,000. The majority of recipients of unemployment payments have few savings, little access to credit, and many receive little or no support from family. A period of eight weeks without income support is very likely to cause hardship in these circumstances, including homelessness in some cases.

These penalties are counterproductive as well as harsh. It is much harder for people to search for employment if they cannot afford to make phone calls or travel, and are worried about how they will house themselves or pay for the next meal. Families with children and people who are already in poor health are particularly vulnerable in these circumstances. The only possible justification for such a penalty is its deterrence value, yet as our colleagues from the National Welfare Rights Network note in their submission, there is no evidence to suggest that the eight week suspension has a significant deterrent effect.

We therefore recommend that the Bill be *opposed*.



Background:

The present penalty system replaced one in which larger penalties were imposed months after a breach of requirements with a system in which smaller penalties (payment suspensions) were imposed sooner. Under the present system, individuals who do not comply with requirements have their payments suspended if they fail to comply after receiving a warning. Payments are generally restored once the person complies with the requirement. The principle underpinning this system, which we strongly support, is that the system should encourage re-engagement rather than punish people after the fact. This is the fairest and most efficient approach.

The present system is not 'soft': a total of 209,642 financial penalties were applied in the 2012-13 financial year, but the majority were much shorter than eight weeks without income support.

Key provisions of the Bill:

The Bill would reduce protections against eight week non-payment periods in two ways.

First, unemployed people who leave a job without 'good reason', or refuse or fail to attend a job once unemployed, would no longer be able to have the penalty waived on hardship grounds.

It is unreasonable to impose such a harsh penalty for people leaving a job, most of whom would be unaware of social security requirements when they decide to leave the job. Further, few people in receipt of unemployment payments refuse a job without a good reason. During 2012-13, there were only 1,700 eight week suspensions applied for refusing employment. There is no need to place more people in financial hardship to deter others from refusing employment.

Second, if the Bill is passed, those who face eight week non-payment penalties for persistently failing to meet their activity requirements (for example by not attending meetings with their employment service provider on three occasions) would only be able to have their eight week non-payment penalty waived once (on hardship grounds or by undertaking 8 weeks of Work for the Dole) during each period on unemployment payments.

The number of people who face an eight week suspension twice in the same unemployment spell is modest. In 2012-13, only 11% of all unemployed people on income support breached



requirements three times in 12 months and were assessed as 'persistently non-compliant'. Among this group, only 6,000 eight week suspensions were imposed on the same individuals more than once for 'persistent non-compliance'. Therefore it is not clear that the Bill would address a substantial problem. The 'working off' of a penalty is sufficient penalty in itself in the vast majority of cases.

A lower incidence of the most severe penalties is not a sign of failure. It suggests that the system is working to reinforce activity requirements.

The Bill would, if passed, retain the basic structure of the present compliance regime including the more timely and modest penalties for failure to attend meetings and courses and the Comprehensive Compliance Assessments for those at risk of an eight week penalty. However, the 'last line of defence' against imposition of this penalty would be removed, at least for those who have already had an eight week penalty waived while on income support and people who leave a job without an acceptable reason. The result would be an increase in eight week penalties and financial hardship.

Please contact our Senior Adviser Peter Davidson at this office should you have further inquiries about this submission.

Yours sincerely,

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