



# **Addressing Social (In)Security: Bringing Australia's Allowance Payment System in Line with the Times**

Submission by  
Good Shepherd Youth & Family Service and  
Community Information & Support Victoria

to the Senate Inquiry  
into the Allowance Payment System for Jobseekers and Others

August 2012

**Written by:**  
Magdalena McGuire  
Social Policy Researcher  
Good Shepherd Youth & Family Service

**Contact:**  
Dr Kathy Landvogt  
Manager, Social Policy Research Unit  
Good Shepherd Youth & Family Service  
PO Box 6041, North Collingwood, VIC 3066

## **Recommendations**

Good Shepherd Youth & Family Service and Community Information & Support Victoria advise that:

1. The Australian Government increases the single rates of Newstart and Youth Allowance by \$50 per week.
2. The Australian Government index Newstart and Youth Allowance payments at the same rate as the Age and Disability Support Pensions.
3. The Australian Government broadens the criteria for access to Youth Allowance to enable more people to undertake study and thus improve their employment prospects.
4. The Australian Government changes the structure of Advance Payments to allow for greater flexibility both in the amounts of money borrowed and in the repayment options available to borrowers.
5. The Australian Government simplifies Centrelink's income declaration systems and raises the income thresholds for allowance payments to address the income volatility experienced by many people in the contemporary employment market.
6. The Australian Government enables Newstart recipients to retain the Health Care Card and other concession entitlements for one year after job entry.
7. The Australian Government requires that Centrelink conduct tailored assessments of the needs of single parents who are on Newstart Allowance. These assessments should examine whether entry into paid work is for the overall benefit of both the children and the single parents in terms of time, care and resource changes.
8. The Australian Government adopts the Australian Law Reform Commission's recommendations in relation to family violence and the social security system, as set out in the report "Family Violence and Commonwealth Laws – Improving Legal Frameworks".

## **About Good Shepherd Youth & Family Service**

Good Shepherd Youth & Family Service works to promote the human rights and dignity of people who are marginalised in the community. Our organisation assists, empowers, and advocates on behalf of those people who are at the very fringes of society. Each year we directly support over 12,000 young people, women and families in Victoria. We have also provided innovation and leadership in the microfinance movement throughout Australia for over three decades.

Central to our work is the strong belief that everyone deserves a stake in their community and the conditions of life that make participation in community possible. This includes access to an adequate income, affordable housing, high quality education and training programs, and decent employment.

The communities in and around Melbourne in which Good Shepherd Youth & Family Service operates experience financial disadvantage, and our programs directly address this and many of the accompanying challenges. These programs include financial counselling, microfinance, family support, foster care, youth emergency housing, family violence support services and refuge accommodation, and community education.

Our inheritance of the mission and vision of the Good Shepherd Sisters directly informs our advocacy and direct service work, especially where it impacts on the lives of disadvantaged young people, women and girls. Recent research projects conducted by the organisation (in partnership or independently) include investigations into fringe lending, emergency relief, microfinance, bankruptcy and mental illness, women's financial capability, and family violence.

Good Shepherd Youth & Family Service is linked in with a broader network of organisations, including Good Shepherd in the United States. Since 1996, Good Shepherd has had a consultative status at the United Nations Economic and Social Council. This affiliation has enabled Good Shepherd to further its mission to promote the human rights of vulnerable groups of people, and to challenge the conditions that condemn people to a marginalised life.

This practice experience, research and human rights background give us an understanding of how the allowance payment system impacts on jobseekers and other people in Victoria. It is from this evidence base that we draw in making this submission.

## **About Community Information & Support Victoria**

Community Information & Support Victoria (CISVic) was established as an association of members in 1970 to support the growing number of community advice bureaus. Since then, our role has evolved to that of a peak body for the community information and support sector in Victoria. We provide operational support, sector development, advocacy and representation to our member agencies.

Our organisation aims to assist our member agencies to provide support services to people in their local communities, including vulnerable and disadvantaged people. Such services aim to uphold the dignity of all people, respond to community needs, alleviate the impact of poverty, and promote social justice.

CISVic has over sixty member agencies, which are referred to as Community Information and Support Centres. These Community Information and Support Centres are managed by autonomous, community based management committees. They operate according to the policies and standards of CISVic. Community Information and Support Centres provide information, referrals, advocacy, emergency relief, case work, no interest loans, tax help, budgeting support, personal counselling, financial counselling and settlement services. They work with many people who rely on allowance payments as their sole source of income.

## **Introduction**

Good Shepherd Youth & Family Service and CISVic welcome the Senate 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” (‘the Inquiry’). We believe that the Inquiry provides a vital opportunity to reform the current social security system, and to ensure that this system responds to the needs of some of the most disadvantaged members of our community.

This submission has been guided by the Inquiry’s terms of reference and, therefore, focuses on the Newstart Allowance, and the associated issues for jobseekers. The submission also draws on evidence about Youth Allowance, and the attendant issues for people who are studying, or who are making the transition between study and work. Throughout this submission, general references to the “allowance system” encompass both Newstart and Youth Allowance. When making a specific reference to either Newstart or Youth Allowance, this is made clear in the submission.

The submission identifies that Australia’s allowance system has fallen behind the times in terms of its payment levels, and its ability to adapt to the changing nature of the Australian workforce. It is therefore crucial that the allowance payment system is overhauled to bring it in line with contemporary circumstances, and to ensure that it adequately protects the human rights and dignity of disadvantaged Australians.

## Human Rights Framework

Access to social security is a human right that is enshrined in Article 9 of the *International Covenant on Economic, Social and Cultural Rights* (ICESCR). International human rights law does not prescribe the levels of social security payments that need to be made to recipients. However, it does stipulate that people are entitled to an “adequate” level of income.<sup>1</sup> According to Philip Lynch, this means that social security benefits must be sufficient to ensure “a dignified human existence” for all recipients.<sup>2</sup>

The United Nations Committee on Economic, Social and Cultural Rights has also stipulated that, while the right to social security applies to everyone, state parties should give special attention to individuals and groups that have traditionally been disadvantaged in the employment market. This includes women, people with disabilities, marginalised or injured workers, minority groups, refugees and asylum seekers.<sup>3</sup> Therefore, in addition to providing an adequate level of income for *all people* who need it, the social security system should meet the *specific needs* of disadvantaged groups. As Philip Lynch points out:

“A person’s needs vary based on factors including housing status, age, health, cultural background, and family responsibilities. Social security must be available to cover all the risks involved in the loss of means of subsistence beyond a person’s control.”<sup>4</sup>

## Not Enough to Live Off

There is strong evidence that Australia’s unemployment benefit, Newstart, does not provide people with enough money to live off.<sup>5</sup> The current rate of Newstart is \$244 a week for a single person, rising to \$265 a week if they have dependent children.<sup>6</sup> The Newstart allowance has fallen to 45% of the minimum wage and is more than \$130 under the poverty line.<sup>7</sup> Indeed, as the below case study illustrates, people on Newstart can be left with as little as \$35 a week to buy essential items such as food, transport and clothing. This would indicate that Newstart fails to guarantee recipients an “adequate” level of income, as required by the ICESCR.

---

<sup>1</sup> Economic, Social and Cultural Rights Committee, ‘Draft General Comment on Art 9 of the ICESCR’ (2006) available at [www.ohchr.org/english/bodies/cescr/discussion.htm](http://www.ohchr.org/english/bodies/cescr/discussion.htm).

<sup>2</sup> Lynch P. ‘Understanding and Responding to Begging’ (2005) 29 *Melbourne University Law Review* pp. 518–555 at p.543.

<sup>3</sup> Economic, Social and Cultural Rights Committee, ‘Draft General Comment on Art 9 of the ICESCR’.

<sup>4</sup> Lynch P. ‘Understanding and Responding to Begging’, p.543.

<sup>5</sup> The Australia Institute ‘Are Unemployment Benefits Adequate in Australia?’ (April 2012) *Policy Brief No.39*, p.2.

<sup>6</sup> To be eligible for Newstart, people need to be aged 21 years or over (but under the pension age) and actively looking for work.

<sup>7</sup> The Greens, ‘Fair Income Support for Jobseekers’ (2012) available at [http://greensmps.org.au/sites/default/files/newstart\\_increase\\_initiative\\_with\\_background\\_briefing.pdf](http://greensmps.org.au/sites/default/files/newstart_increase_initiative_with_background_briefing.pdf).

## Case Study: Desperate Times

Graham<sup>8</sup> is 29 years old. Until six months ago, Graham was in a relationship and living in stable accommodation. Graham was working casually and his partner was also employed. Graham's hours of work gradually eroded to the point that he was placed under financial and emotional stress. Eventually, Graham lost his job. Graham's relationship did not survive this difficult period, and he and his partner broke up.

Graham had to move out of the house that he had shared with his partner. He began couch surfing with friends.<sup>9</sup> This was unsustainable, so Graham found a room in an unregistered rooming house in the outer suburbs of Melbourne. He now shares a house with seven other people – many of whom have drug or alcohol addictions or mental health issues. Violence is a regular occurrence in the boarding house, and Graham often fears for his safety and belongings to such a degree that he can't sleep at night.

Graham pays \$250 a week for his room and a kitchen and bathroom he shares with other people. His Newstart and Rent Assistance come to \$284.91 each week, which leaves him about \$35 a week to cover expenses such food, transport and clothing. Graham is now completely reliant on local support services for food assistance. He feels trapped in his situation as he is unable to save enough money to rent a place of his own.

Last week, Graham tried to commit suicide "out of desperation". He is now seeking counselling.

Research by Good Shepherd Youth & Family Service confirms that people on Newstart are "at a serious disadvantage" when it comes to material wellbeing:

"Being in receipt of a Newstart Allowance severely limited [people's] options because of the very low level of income provided. Even microfinance programs, which aim to assist people on low incomes, were often unable to assist Newstart recipients as there was often no room in their budgets to meet repayments."<sup>10</sup>

The Organisation for Economic Cooperation and Development (OECD) has also expressed strong concerns that the Newstart payment is now so low it "raises issues about its effectiveness".<sup>11</sup> In fact, according to the OECD, Australia has one of the lowest unemployment benefits, as a percentage of the average wage, in the developed world.<sup>12</sup>

---

<sup>8</sup> All the names used in the case studies in this submission are pseudonyms.

<sup>9</sup> For further information on the perils of couch surfing, see: Morello, V. 'Couch Surfing 'Risky' for Homeless Youth, *The Age* (Melbourne) (13 April 2010) available at <http://news.theage.com.au/breaking-news-national/couch-surfing-risky-for-homeless-youth-20100413-s74y.html>.

<sup>10</sup> Corrie, T. *Microfinance and the Household Economy: Financial Inclusion, Social and Economic Participation and Material Wellbeing* (2011, Good Shepherd Youth & Family Service) p.vii.

<sup>11</sup> OECD in The Australia Institute 'Are Unemployment Benefits Adequate in Australia?', p.2.

<sup>12</sup> OECD in The Australia Institute 'Are Unemployment Benefits Adequate in Australia?', pp.2-3.

For this reason, the OECD has now made the “unprecedented call” for an increase in Australia’s unemployment benefits.<sup>13</sup>

It should also be noted that Youth Allowance is paid at a lower rate than Newstart.<sup>14</sup> The basic Youth Allowance rate for a single person aged under 18 with no children and living at home is \$110 per week. A single person aged over 18 with no children who lives away from home will receive \$201 per week.<sup>15</sup> The low rate of Youth Allowance assumes that young people will be able to supplement their allowance with other sources of income, for example, through family support. However, the vast majority of young people that Good Shepherd Youth & Family Service works with cannot rely on their families for financial support (either because their families are on low incomes, or because they are estranged from their families). Therefore, Youth Allowance usually consists of their sole source of income.

### **Case Study: Families under Financial Stress**

Amber is a 19 year old woman who has recently lost her job. She is waiting for an Employment Separation Certificate to establish her eligibility for social security benefits.<sup>16</sup> After losing her job, Amber moved in with her grandmother. Her grandmother is on a low income and is struggling to support Amber financially. Amber is estranged from her parents and her grandmother is the only family member she has who can offer her assistance.

Amber has applied for Youth Allowance. Under Youth Allowance, Amber will only receive \$110 per week. She needs to use part of this money to meet her car repayments which are \$200 per month. Amber feels that she needs to keep her car to improve her chances of finding employment. Amber is concerned that \$110 a week will not be enough money to cover basic living expenses such as rent, utilities, food, clothing and transport. Amber is upset that she has become reliant on her grandmother to help support her, as this is placing her grandmother under considerable financial stress.

---

<sup>13</sup> ACOSS ‘Unprecedented Call for Australia to Increase Unemployment Benefits Payments’ (Media release, 15 November 2010) available at [http://www.acoss.org.au/media/release/oecd\\_unprecedented\\_call\\_for\\_australia\\_to\\_increase\\_unemployment\\_benefits\\_pay](http://www.acoss.org.au/media/release/oecd_unprecedented_call_for_australia_to_increase_unemployment_benefits_pay).

<sup>14</sup> To be eligible for Youth Allowance, a person needs to be aged 16 to 25 and either looking for work or undertaking study. Centreblog ‘What is Youth Allowance?’ (22 February 2012) available at <http://www.centreb什么.com.au/2012/02/22/what-is-youth-allowance/>.

<sup>15</sup> Centreblog ‘What is Youth Allowance?’.

<sup>16</sup> For further information, see Australian Government Department of Human Services ‘Employment Separation Certificates’ (undated) available at <http://www.humanservices.gov.au/business/services/centrelink/employment-status-verification/employment-separation-certificates>.



While Newstart and Youth Allowance have failed to keep pace with the cost of living, the Age and Disability Support Pensions have fared somewhat better. In 2009, the Australian Government reviewed Australia's pension payments, and concluded that they were inadequate.<sup>17</sup> Following this review, the Age and Disability Support Pensions were increased by \$32 a week. However, no such increase was afforded to the allowance system. The Henry Review has since recommended that a commensurate increase be given to Newstart and Youth Allowance recipients which, in 2012, would equate to \$50 each week.<sup>18</sup>

As well as being increased by \$50 each week, allowance payments need to be consistently indexed according to the real costs of living. The Australian Council of Social Service (ACOSS) notes that, currently, Newstart and Youth Allowance are indexed twice yearly with the Consumer Price Index. This means that the allowances are linked to increases in prices, rather than wages. For this reason, the allowances fall behind increases in community living standards.<sup>19</sup> By comparison, the Age and Disability Support Pensions are indexed according to the Male Total Average Weekly Earnings, the Consumer Price Index, or the Pensioner and Beneficiary Cost of Living – whichever is higher. This approach has ensured that pensions have increased in line with current living costs. By comparison, people who rely on allowances as their sole source of income live below the poverty line and are often unable to afford basic necessities such as accommodation, food and healthcare.

### **Case Study: Trying to 'Ease the Pain'**

Sarah is a 20 year old woman who receives Youth Allowance. Until a year ago, she was renting an apartment with her boyfriend, Jason. When Sarah and Jason broke up, he moved out and took his name off the lease. Sarah was very distressed. Rent was \$300 per week and her Youth Allowance was just \$197 a week. She soon fell behind in her rent, and had to attend a hearing at the Victorian Civil and Administrative Tribunal regarding rent arrears. Sarah was evicted from her apartment and started couch surfing at a friend's house. A local support agency gave Sarah food vouchers and phone cards, but she still did not have enough money to cover her basic living expenses. Sarah found it very difficult to seek work while she was living in unstable accommodation and had no money to cover her transport and mobile phone costs. Sarah says she turned to alcohol to "ease the pain" of her situation. She has now been referred to a detox program.

<sup>17</sup> Harmer J. *Pension Review Report* in ACOSS 'Who is Missing Out? Material Deprivation and Income Support Payments' *ACOSS Paper 187* (2012) p.15.

<sup>18</sup> ACOSS 'Who is Missing Out?' p.4.

<sup>19</sup> ACOSS '\$35 a Day: Not Enough to Live On' (undated) available at [http://acoss.org.au/images/uploads/Newstart%20Allowance%20brochure%20FINAL\\_March%20version.pdf](http://acoss.org.au/images/uploads/Newstart%20Allowance%20brochure%20FINAL_March%20version.pdf).

### **Case Study: Finding Hope**

Daniel is in his 30s and lives in community housing. He has mental health issues. Daniel was on Newstart Allowance for several months. During this time, he couldn't afford to buy any furniture for his house. The only furnishing he had was a mattress on the floor which, according to Daniel, made him feel like "a squatter". Daniel said he found his living circumstances "depressing" and that he "couldn't even think about finding a job".

After paying his rent, Daniel was left with \$76 a week to live off. He said that "trying to buy food and live off all that is just impossible". Daniel became very socially isolated. He couldn't afford to buy any credit for his phone and, due to his agoraphobia, he had difficulty leaving the house.

Daniel now receives a Disability Support Pension and thus has more money than he did when he was receiving Newstart. He says that his quality of life has improved immeasurably. He now has enough money to eat well. He can also buy credit for his phone, which has reconnected him with his social networks. Daniel is feeling more positive about the future, and he is actively looking for work.<sup>20</sup>

### **Recommendations**

1. The Australian Government increases the single rates of Newstart and Youth Allowance by \$50 per week.
2. The Australian Government index Newstart and Youth Allowance payments at the same rate as the Age and Disability Support Pensions.

---

<sup>20</sup> This case study has been adapted from research conducted by Good Shepherd Youth & Family Service into microfinance. See Corrie, T. *Microfinance and the Household Economy*, pp. 41, 92-93.

## Entrenched Unemployment

Typically, the people that our organisations work with are highly disadvantaged in the employment market. Some of the disadvantages they face can include:

- low levels of education
- economic deprivation
- social isolation
- family breakdown
- backgrounds of trauma and abuse
- mental health issues
- histories of family violence
- being refugees who have escaped persecution in their own country
- recovery from substance abuse issues.

Our clients require the support of a social security system that will provide them with an adequate level of income, and genuine pathways to employment, where possible.

Unfortunately, the rate of Newstart is so low that it has been labeled a ‘pathway to poverty, not employment’.<sup>21</sup> Indeed, research by Good Shepherd Youth & Family Service has found that unemployed people receiving Newstart Allowance “struggle with the costs of job hunting on top of meeting essential living costs”.<sup>22</sup> Many of these people find it difficult to pay rent, buy food and meet other essential costs. The costs of job hunting (making phone calls, travelling to and from interviews, and buying suitable interview clothes) are, for some people, simply untenable. The point is that finding a job requires resources, and these resources are not available to people who rely on Newstart for their income. As one Good Shepherd Youth & Family Service worker pointed out:

“We often discuss the low rate of the unemployment benefit with other people in the sector. It’s a constant issue. Anecdotally, it’s been reported that the benefit is so low that people will often become homeless as a result. I’ve even heard of families being forced to sleep in a car. How are they going to present at job interviews if they can’t have a shower, if they can’t get a decent night’s sleep? It’s an unfair expectation. The resources are just not there to enable them to find a job. Everything is stacked against them.”<sup>23</sup>

This emphasises that people who are looking for work require an income that will cover their essential living costs, as well as the costs associated with job hunting. Some people may also require access to study and training that will assist them to find meaningful employment. This is discussed in further detail in the below section, ‘Barriers to Education’.

---

<sup>21</sup> Westacott, J. ‘Sharing Prosperity’ (Paper presented at Brotherhood of St Laurence Sambell Oration, Melbourne, 23 November 2011) p.8 available at <http://www.bca.com.au/Content/101905.aspx>.

<sup>22</sup> Engels, B. Nissim, R. and Landvogt, K. *Under Pressure: Costs of Living, Financial Hardship and Emergency Relief in Victoria* (2009) p.102.

<sup>23</sup> Telephone conversation between Good Shepherd Youth & Family Service worker and M. McGuire on 10 July 2012.

### **Case Study: A Downward Spiral**

John is a single man who receives Newstart Allowance. After losing his job in July 2010, he found that he could no longer afford to live in his one bedroom flat. John moved into a rooming house where, he says, the other tenants had drug and alcohol issues, and he felt very unsafe.

John is a careful budgeter and he arranged to have his rent deducted via Centrepay.<sup>24</sup> In spite of this, he struggled to meet his basic living expenses. John could no longer afford to buy credit for his mobile phone, which made job hunting very difficult. John needed more money to cover his basic living expenses, so he took out a personal loan from a finance company. However, John found that, as a result of the high repayments, the personal loan actually left him worse off. His situation deteriorated and he had very little money to live off. John said he ended up “starving” and socially isolated. John reported that living in poverty caused his “downward spiral” and he struggled to remain positive in his search for work. Eventually, he was no longer able to meet his accommodation costs and he was evicted from the boarding house. John became homeless and was forced to live in his car.

### **Case Study: Negative Impact on Health**

Anne has always had a strong work ethic and takes pride in supporting herself. Unfortunately, Anne lost her job 18 months ago and now her only source of income is Newstart. She is very keen to get back into the workforce. However, Anne is finding it difficult to look for work: she says that Newstart simply does not cover the costs job hunting. Anne struggles to pay for public transport to and from job centres, and for the costs of using a mobile phone to ring around looking for work.

Anne has had longstanding mental health issues and, several years ago, was diagnosed with bipolar disorder and post-traumatic stress disorder. These issues were well managed when she was employed and had a decent income. However, now that she is on Newstart, she is constantly anxious about how she will manage to pay for expenses such as food, utility bills, transport costs and medication. As a result, her mental health has deteriorated. Anne feels that looking for work while under this financial stress is not achievable.

Anne has no family and limited friends that she can turn to for assistance. She finds it “embarrassing” seeking emergency relief as she has always supported herself through paid work. She is in rental arrears because, some weeks, she simply doesn’t have enough money to meet all her basic expenses. Living off Newstart has placed Anne under considerable financial stress. It has adversely impacted on her ability to find work, and it has had negative consequences for her health and wellbeing.

---

<sup>24</sup> Centrepay is a service that enables people to pay their bills via regular deductions from their Centrelink payments. See Australian Government Department of Human Services ‘Centrepay’ (undated) available at <http://www.humanservices.gov.au/customer/services/centrelink/centrepay>.

## Barriers to Education

Many of the young people we work with have had limited opportunities to complete secondary education (let alone undertake a university degree). It is widely recognised that young people who do not complete secondary education are likely to find it difficult to find stable employment.<sup>25</sup> In order to divert these young people from unstable, low income jobs and periods of unemployment, the social security system needs to support them in developing their career pathways. This includes supporting people to undertake a training course or to pursue further education, if this is what they want.

Our practice experience indicates that it is relatively straightforward for young people to make the transition from study/Youth Allowance to unemployment/Newstart. Ironically, it is far more difficult for young people to make the transition from unemployment/Newstart to study/Youth Allowance. As the below case study illustrates, the tight criteria around Youth Allowance eligibility can make it difficult for young people to commence study. Many such young people remain unemployed (and on Newstart Allowance) when, in fact, they would prefer to be studying a course that would provide them with a pathway to employment.

### Case Study: Ineligible for Youth Allowance

Loretta is a young woman who is receiving Newstart Allowance. Loretta would like to enrol in TAFE to become a disability support worker. However, Centrelink has advised that she is not eligible for Youth Allowance due to the prior studies that she has undertaken. This is in spite of the fact that Loretta's current qualifications have not enabled her to find a job. Therefore, Loretta remains on Newstart Allowance, without a job, and without access to a course that could enable her to find meaningful employment.

A further difficulty is that the cost of study can be prohibitively expensive for young people. While some university and TAFE fees can be deferred, others cannot. In addition to course fees, students may also have to meet costs associated with enrolment and administration fees, the purchase of a personal computer and an internet account, and textbooks and other course-related materials. Meeting these upfront costs can be a significant challenge for the clients of our respective organisations.

This difficulty is compounded by the fact that it can be very hard to obtain loans from Centrelink to cover the upfront costs of study. In general, the maximum loan (or 'Advance Payment') that a person can receive from Centrelink is \$500. People on Newstart are only eligible for one \$500 Advance Payment each year. Furthermore, if a person has already taken out an Advance Payment, they cannot receive another one until their existing debt has been paid. The inflexibility of the Advance Payment system can therefore present a significant barrier to people on low incomes who would like to study.

---

<sup>25</sup> Independent Inquiry into Insecure Work *Lives on Hold: Unlocking the Potential of Australia's Workforce* (2012) p.44.

Research conducted by Good Shepherd Youth & Family Service and others has identified the need for Centrelink Advance Payments to be more flexible to reflect people's borrowing practices and income needs.<sup>26</sup> In the context of people who wish to study, there would be a benefit in Centrelink changing the structure of Advance Payments to enable greater flexibility in the levels of Advance Payments (by enabling people to take out small loans to cover one-off items associated with study, through to larger loans to cover course fees and associated costs) as well as greater flexibility with repayment options.

### **Case Study: Can't Afford to Study**

Arie has been looking for a job for about a year. He receives Newstart Allowance. Arie would like to enroll in TAFE to become a cabinetmaker. In order to do this, he needs to pay around \$700 as a down payment to TAFE, and about \$400 for textbooks and tools, which he simply can't afford to do. Arie is not eligible for an Advance Payment from Centrelink. (He is currently paying off an Advance Payment that he took out to cover the costs associated with looking after his young son.) Even if Arie were eligible for an Advance Payment, the maximum amount he could receive would be \$500, which is not enough to cover his TAFE fees and associated costs.

### **Recommendations**

3. The Australian Government broadens the criteria for access to Youth Allowance to enable more people to undertake study and thus improve their employment prospects.
4. The Australian Government changes the structure of Advance Payments to allow for greater flexibility both in the amounts of money borrowed and in the repayment options available to borrowers.

---

<sup>26</sup> Banks, M. *Caught Short: Exploring the Role of Small, Short-Term Loans in the Lives of Australians* (RMIT University, The University of Queensland Australia, Good Shepherd Youth & Family Service, National Australia Bank, 2011) pp.4-5.

## Changing Labour Market

In the experience of Good Shepherd Youth & Family Service and CISVic, employment for young people can be very inconsistent. The young people that we work with tend to be clustered in insecure, low paid jobs. As one Good Shepherd Youth & Family Service employee put it, this means that “they could have work one day and then lose it the next”. This is not a problem that is restricted to young people. The casualisation of the workforce is a broader trend that has been brought to focus by the recent report of the Independent Inquiry into Insecure Work.<sup>27</sup> This report revealed that almost one quarter of all employees in Australia are engaged in casual work. The report found that, while casual employees continue to be heavily concentrated in industries such as retail and hospitality, nearly all industries have seen a strong growth in casual employees over the past few decades.<sup>28</sup>

We now have a situation where, on the one hand, insecure work arrangements are a dominant reality for many Australians. On the other hand, the social security system is locked into the idea that people should be able to find stable, long term employment. This schism between the reality of the contemporary job market, and the underpinning ideology of the social security system, exacerbates insecure work problems. The National Welfare Rights Network has emphasised that “(f)or working age people, Australia’s social security system is modeled on a world that no longer exists”.<sup>29</sup> They have advised that the social security system needs to be overhauled if it is to provide ‘an effective safety net for people who are unemployed or underemployed, falling in and out of casual work’.<sup>30</sup>

This emphasises that the social security system must become more flexible if it is to adapt to the realities of the contemporary employment market. Given the increasing number of people who are trapped in casual and insecure jobs, it is imperative that Centrelink processes reflect these realities. We strongly support the recommendations made by the Independent Inquiry into Insecure Work that Centrelink’s income declaration systems be simplified, and the income test thresholds for allowance payments be raised to address the income volatility faced by people who are trapped in insecure work.<sup>31</sup>

The Independent Inquiry into Insecure Work also emphasised that, due to the rise in insecure work, many Australians now experience periods of unemployment.<sup>32</sup> Currently, these people are disadvantaged by the long wait times involved in obtaining Centrelink Health Care Cards, and the concessions that accompany these cards.<sup>33</sup> Our practice

---

<sup>27</sup> Independent Inquiry into Insecure Work *Lives on Hold: Unlocking the Potential of Australia’s Workforce* 2012, p.44.

<sup>28</sup> Independent Inquiry into Insecure Work *Lives on Hold*, p.14.

<sup>29</sup> National Welfare Rights Network ‘Australia’s Social Security System Exacerbates Insecure Work Problems’ (20 January 2011) p.1 available at

[http://securejobs.org.au/submissions/24\\_jan\\_2012/National%20Welfare%20Rights%20Network.pdf](http://securejobs.org.au/submissions/24_jan_2012/National%20Welfare%20Rights%20Network.pdf).

<sup>30</sup> National Welfare Rights Network ‘Australia’s Social Security System Exacerbates Insecure Work Problems’ (20 January 2011) p.1 available at

[http://securejobs.org.au/submissions/24\\_jan\\_2012/National%20Welfare%20Rights%20Network.pdf](http://securejobs.org.au/submissions/24_jan_2012/National%20Welfare%20Rights%20Network.pdf).

<sup>31</sup> Independent Inquiry into Insecure Work *Lives on Hold*, p.48.

<sup>32</sup> Independent Inquiry into Insecure Work *Lives on Hold*, p.45.

<sup>33</sup> Centrelink Health Care Cards can entitle people to cheaper medicines, and bulk-billing for medical tests and doctors’ appointments. Health Care Cards may also entitle people to concessions from state and local government authorities, including discounts on gas, electricity and water bills, ambulance costs,

experience has shown that these long wait times can cause deprivation, with many people being unable to afford basic necessities such as healthcare and transport costs. Given the realities of the insecure employment, we believe that people on Newstart should be able to retain their Health Care Card, and other concession entitlements, for one year after getting a job. This support would assist them in building a stable life, and would act as a safety net in the event that they became underemployed or unemployed.

## Recommendations

5. The Australian Government simplifies Centrelink's income declaration systems and raises the income thresholds for allowance payments to address the income volatility experienced by many people in the contemporary employment market.
6. The Australian Government enables Newstart recipients to retain the Health Care Card and other concession entitlements for one year after job entry.

## Single Parent Families

Our organisations work with a significant number of single parent families (primarily headed by women) who are suffering financial hardship. Many of these families have been adversely impacted by the changes that occurred to the social security system in 2006.<sup>34</sup> The upshot of these changes is that many single parents are now ineligible for the Parenting Payment and are receiving the Newstart Allowance instead. This has resulted in a significant loss of income for these families. For example, a single parent with dependent children is eligible to receive \$264.90 each week in Newstart Allowance. This is around \$60 a week less than a single parent could receive under the Parenting Payment.<sup>35</sup>

Single parents who receive the Newstart Allowance are also expected to participate in activities that will increase their opportunity to find paid employment. The Council of Single Mothers and their Children reports that, for most single parents, these requirements mean that they are expected to work or look for work for at least 15 hours each week.<sup>36</sup> Eva Cox and Terry Priest have conducted research on the impact of these requirements on single parent families. They have found that the push to get single parents into employment at any cost is based on some fundamental misconceptions. According to Cox and Priest, the introduction of these policies

---

public transport, and dental and eye care. See Future Plus 'Centrelink Concessions' available at (1 September 2011) available at

<http://www.futureplus.com.au/PDF/Centrelink%20Concessions%20FPFS.pdf>.

<sup>34</sup> For further information see the Council of Single Mothers and their Children 'Income Support' (undated) available at <http://www.csmc.org.au/?q=incomesupport>.

<sup>35</sup> Australian Government Department of Human Services 'Newstart Allowance' (undated) available at <http://www.humanservices.gov.au/customer/services/centrelink/newstart-allowance>.

<sup>36</sup> Council of Single Mothers and their Children 'Income Support'.



“...was based on the assumptions that sole parents presented a problem that needed some fairly drastic action. However, the basis for these assumptions was not clear as the numbers of sole parents are not increasing, and their workforce participation has risen over the last decade.”<sup>37</sup>

The research by Cox and Priest found that few single parents remain on social security benefits by choice. It also revealed that single parents are likely to see their children’s needs as their primary responsibility. Taken together, these findings indicate that single parents will endeavour to return to the workforce *provided* that working does not conflict with their ability to care for their children. In light of these findings, Cox and Priest questioned whether there was any benefit in subjecting single parents to the punitive nature of the current return to work arrangements. They emphasised that the social security system needs to move away from a ‘one size fits all’ approach to job seeking arrangements for single parents. Instead, the system should undertake a more nuanced analysis of whether returning to work is the best thing for the single parent – and the children – in question.<sup>38</sup>

## Recommendation

7. The Australian Government requires that Centrelink conduct tailored assessments of the needs of single parents who are on Newstart Allowance. These assessments should examine whether entry into paid work is for the overall benefit of both the children and the single parents in terms of time, care and resource changes.

## Women and Family Violence

Many of the people that we work with are women who are trying to rebuild their lives – and the lives of their children – after experiencing family violence. As Good Shepherd Youth & Family Service has previously pointed out, family violence requires careful consideration in relation to the social security system.<sup>39</sup> This is especially so in light of increasing knowledge about financial abuse and other financial aspects of family violence.<sup>40</sup> We have previously argued that safety must be the paramount consideration that guides all Centrelink’s interactions with victims/survivors of family violence.<sup>41</sup> With family violence responsible for approximately one murder a week across the nation, the role of the social security system in assisting women to protect their safety is clear.<sup>42</sup>

<sup>37</sup> Cox, E. and Priest, T. *“Welfare to Work”: At What Cost to Parenting?* (2008) p.26.

<sup>38</sup> Cox, E. and Priest, T. *“Welfare to Work”* pp.2-5.

<sup>39</sup> Landvogt, K. *Family Violence and Social Security: Submission by Good Shepherd Youth & Family Service, McAuley Community Services for Women and Kildonan Uniting Care* (2011) p.19.

<sup>40</sup> See, for example, Braaf, R. and Meyering, I. *Seeking Security: Promoting Women’s Economic Wellbeing Following Domestic Violence* (Australian Domestic Violence Clearinghouse, 2011).

<sup>41</sup> Landvogt, K. *Family Violence and Social Security*, p.19.

<sup>42</sup> Landvogt, K. *Family Violence and Social Security*, p.19.

The Australian Law Reform Commission has recently released its report on family violence and Commonwealth laws.<sup>43</sup> This report emphasises that the social security system must be reformed in order to respond to the circumstances of people who are victims/survivors of family violence. We welcome the commission’s message that “safety” should be the “overall touchstone” for reforming the social security system in relation to family violence.<sup>44</sup> To this end, some of the recommendations set out by the commission include that:

- Centrelink social workers should be trained to identify family violence related safety concerns through screening and risk assessments.<sup>45</sup>
- When determining a person’s capacity to work, Centrelink processes should have regard to the safety of the victims/survivors of family violence.<sup>46</sup>
- Centrelink staff should receive training on the impact of family violence on a person’s capacity to return to work.<sup>47</sup>

We believe that the Australian Law Reform Commission’s report provides a clear and practical framework for reforming the social security system so that it is better able to meet the needs of victims/survivors of family violence. We strongly recommend that this Inquiry adopt all the recommendations that the commission sets out in relation to the social security system.

## Recommendation

8. The Australian Government adopts the Australian Law Reform Commission’s recommendations in relation to family violence and the social security system, as set out in the report “Family Violence and Commonwealth Laws – Improving Legal Frameworks”.

## Centrelink Debts

Centrelink debts can occur because the social security system is complex to understand and difficult to navigate.<sup>48</sup> It can be very hard – even for professional advocates – to obtain clear information from Centrelink. The barriers for people who are disadvantaged, and who may have low levels of English literacy, are even higher. Even when people are proactive in giving Centrelink the correct information about their circumstances, mistakes can still

<sup>43</sup> Australian Law Reform Commission *Family Violence and Commonwealth Laws – Improving Legal Frameworks (Final Report)* (2011).

<sup>44</sup> Australian Law Reform Commission *Family Violence and Commonwealth Laws*, p.30.

<sup>45</sup> Australian Law Reform Commission *Family Violence and Commonwealth Laws*, p.12.

<sup>46</sup> Australian Law Reform Commission *Family Violence and Commonwealth Laws*, p.34.

<sup>47</sup> Australian Law Reform Commission *Family Violence and Commonwealth Laws*, p.15.

<sup>48</sup> Hughes, C. *Caught in the Safety Net: The Costs of Centrelink Debt Recovery and Prosecution* (Anglicare Tasmania, 2008) pp.19-20.

happen (as the below case study illustrates). When mistakes do occur, it is invariably the person who is penalised for this mistake – not Centrelink.

### **Case Study: Penalties for Overpayments**

Abdul is a young man who came to Australia as a refugee from Afghanistan. He is married to Farha, a young woman who is also from Afghanistan. They have a baby daughter who was born in Australia. Abdul is receiving Youth Allowance to enable him to study at TAFE, and his wife receives a parenting payment from Centrelink.

The family was living in a friend's house in outer Melbourne – a fact which they reported to Centrelink immediately. Centrelink provided them with rent assistance for many months before advising them that this was a mistake. Until this time, Abdul and Farha were unaware that they were not entitled to rent assistance. They are now paying back Centrelink a debt of around \$1,500.

The house that Abdul and Farha were living in became overcrowded and they were forced to move out. They are now living in public housing. Their apartment is furnished with a bed and a couch that were given to them by friends, but this is all the furniture they own. They are not able to afford essential household items such as a fridge. Centrelink refused to give the couple an Advance Payment for these household items because of the debt that they owe. Therefore, the couple are being penalised for a mistake that was made by Centrelink. The family is now in a precarious financial situation and, if any unexpected costs arise (for example, costs relating to their own health or the health of their baby daughter) they do not have the means to meet these costs.

Another reason why debts occur is because Centrelink processes are poorly matched to the realities of the contemporary employment market.<sup>49</sup> As this submission has highlighted, many Australians are engaged in casual and insecure employment. Some of these people receive allowances to supplement their wages, and the onus is on them to correctly report their fortnightly earnings to Centrelink. The difficulties of doing this are highlighted by two young women who took part in Anglicare's research on Centrelink debts:

“That year in particular I was moving jobs, and working casually and it is hard to estimate exactly what you are going to earn when you've got to do it...in advance. It's extremely difficult, because when you are working short term you don't know if you are going to get another job or when it is going to be, or at what salary it is going to be at, it is easy to miscalculate.”<sup>50</sup>

<sup>49</sup> Hughes, C. *Caught in the Safety Net*, p.6.

<sup>50</sup> Hughes, C. *Caught in the Safety Net*, p.20.

“So I declared everything I earned but it wasn’t in the right dates so I got penalised for that, which was a debt of \$200. That may as well have been \$10,000 at the time, I was in tears, on the phone, absolutely having a breakdown...”<sup>51</sup>

Anglicare’s research revealed the ease with which allowance recipients can find themselves in debt, not through any intention to defraud the system, but through difficulties associated with calculating their income from earnings and the complexities of the Centrelink system itself. In light of this, it is important that Centrelink’s processes for declaring income are simplified. Furthermore, where overpayments do occur, people should not be penalised, but rather, should be given flexible options for repayment (refer to recommendations four and five in this submission).

## **Conclusion**

This submission has highlighted the challenges that exist for people who rely on allowance payments as their sole source of income. As we have discussed, the low rate of Newstart makes it difficult for people to cover their basic living expenses, let alone actively look for work. In addition, the tight criteria around Youth Allowance can prohibit people on low incomes from engaging in study to improve their job prospects. If the social security system is to better respond to the realities of the contemporary employment market, it needs to become more flexible. It also needs to change its underlying ideology. We need to move away from the idea that people who require the assistance of the social security system are a ‘problem’. Instead, we need to recognise that people from all walks of life may, at some point, require the assistance of the social security system in facilitating their transitions between roles such as job seeking, study and caring duties. The social security system cannot support these transitions by forcing people into lives of poverty. To be able to effectively make these transitions, people need to interact with a social security system that treats them with dignity and offers them hope for the future. Increasing the allowance payments by a small amount – just \$50 a week – is, we believe, an important step towards meeting these goals.

---

<sup>51</sup> Hughes, C. *Caught in the Safety Net*, p.19.